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Desert Metals Limited

A.C.N. 617 947 172

Interim Financial Report
For the Half Year ended 31 December 2022

Corporate directory

Board of Directors

Mr Robert Angus Castle Stuart

Mr Mark Robert Stewart

Mr Antony William Worth

Mr Keith Charles Murray

Managing Director

Non-Executive Chairman

Technical Director

Non-Executive Director

Company Secretary

Mr Paul Heatley

Mr Johnathon Busing (resigned 4 July 2022)

Registered and Principal Office

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Perth, Western Australia 6000

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Website

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Auditors

Hall Chadwick WA Audit Pty Ltd

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Subiaco, Western Australia 6008

Tel: +61 8 9426 0666

Share Registry

Automic Group

Level 5, 191 St Georges Terrace

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Stock Exchange

Australian Securities Exchange

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152-158 St Georges Terrace

Perth, Western Australia 6000

ASX Code

DM1

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Directors' Report

Your directors present their report on Desert Metals Limited (the Company) for the half year ended 31 December 2022.

Directors

The names of the directors who held office during or since the end of the half-year are:

- | | |
|------------------------------|------------------------|
| • Robert Angus Castle Stuart | Managing Director |
| • Mark Robert Stewart | Non-Executive Chairman |
| • Antony William Worth | Technical Director |
| • Keith Charles Murray | Non-Executive Director |

REVIEW OF OPERATIONS

Exploration

Desert Metals has made substantive progress on several of its exploration projects during the period 1 July 2022 to 31 December 2022. Highlights of the Company's activities include:

Innouendy Project

- Confirmed a significant rare earth discovery at the Innouendy project in Western Australia. Assay results from the AC and RC drilling program indicate thick and continuous rare earth mineralisation close to the surface.
- Geochemical analysis and metallurgical test-work have begun to further understand the deposits' economic potential.
- Conducted exploration across 20kms of strike length and encountered large volumes of mafic and ultramafic units highlighting the potential for Nickel-Copper-PGE mineralisation over a large area.
- Identified a new zone of PGE mineralisation. The Company believes this to be the first PGE intercept of potentially economic grade in the Narryer Terrane.
- Drilling beneath previously reported significant nickel in laterite encountered broad zones of low-grade nickel in fresh ultramafic intrusive rocks, with associated elevated chrome and cobalt values.
- The 2023 drilling campaign to define and expand the recent rare earth element (REE) discovery at Innouendy will also be targeting higher grade nickel and PGE zones across this strike length.

Dingo Pass Project

- Downhole electromagnetic data (DHEM) confirmed that the high conductance bodies had not been intersected by the first drilling pass at Dingo Pass.
- Four additional RC and diamond holes were drilled to target the conductors modelled from DHEM.
- All intersected semi-massive and/or networked sulphides coincident with the targeted modelled conductor.
- The sulphides were predominantly pyrrhotite with minor chalcopyrite and pyrite hosted in medium to coarse grained amphibolite, inferred to be a metamorphosed mafic intrusive.
- The presence of sulphide mineralisation, including chalcopyrite within mafic intrusive rock, provides encouragement for the Company to prioritise and test the remaining dozen or so highly conductive bodies within the Dingo Pass license.
- REE identified in handheld XRF samples at Dingo Pass adjacent to 100Mt Tower resource. Drill program is planned.

Belele Project

- DHEM completed on two holes at Belele
- A 150 hole reconnaissance Program of Work (POW) drill program has been approved at Belele to test a 15km zone of untested greenstone belt for gold and base metals within the Carbar Shear Zone.

Corporate

Resignation of joint Company Secretary

Mr Johnathon Busing resigned as joint company secretary on 4 July 2022.

Employee Options

On 31 August 2022 the Company issued 225,000 options to employees and eligible contractors under the Company's Employee Incentive Plan. These options have an exercise price of \$0.35 and an expiry date of 31 August 2025.

Capital Raising

On 21 November 2022, the Company successfully raised \$2,500,000 via a Placement of 9,259,260 fully paid ordinary shares ("Shares") at an issue price of \$0.27 to sophisticated and professional investors.

Subsequent events

There were no material events subsequent to the balance date and up until the authorisation of the financial statements for issue.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 (Cth) for the half year ended 31 December 2022 is set out on page 3.

This report is made in accordance with a resolution of directors.

On behalf of the directors



ROBERT STUART

Managing Director

Dated this 15th day of March 2023

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Director for the review of the financial statements of Desert Metals Limited for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated 15th day of March 2023
Perth, Western Australia

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Condensed Statement of profit or loss and other comprehensive income
For the half year ended 31 December 2022

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Continuing operations			
Government grants		120,000	120,000
Other revenue		16,932	-
		<u>136,932</u>	<u>120,000</u>
Compliance costs		(75,697)	(39,822)
Depreciation		(11,602)	(15,729)
Directors fees		(93,925)	(92,583)
Information technology costs		(17,481)	(7,191)
Occupancy costs		(39,200)	(15,305)
Professional fees		(111,686)	(85,228)
Public relations and marketing		(31,512)	-
Share based payments		-	(82,800)
Travel costs		(9,828)	(5,845)
Administrative expenses		(79,077)	(43,144)
		<u>(470,008)</u>	<u>(387,647)</u>
Loss before tax		(333,076)	(267,647)
Income tax benefit		-	-
		<u>(333,076)</u>	<u>(267,647)</u>
Net loss for the period			
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
		<u>-</u>	<u>-</u>
Other comprehensive income for the period, net of tax		-	-
		<u>(333,076)</u>	<u>(267,647)</u>
Total comprehensive loss for the period		(333,076)	(267,647)
Loss per Share:			
Basic and diluted (cents per share)		(0.51)	(0.48)

The condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Condensed Statement of financial position
As at 31 December 2022

	Note	31 Dec 2022 \$	30 June 2022 \$
Current Assets			
Cash and cash equivalents		3,136,882	3,013,946
Receivables	4	140,877	140,414
Total Current Assets		3,277,759	3,154,360
Non-Current Assets			
Exploration and evaluation expenditure	5	6,244,908	4,427,247
Property, plant and equipment	6	100,370	104,863
Total Non-Current Assets		6,345,278	4,532,110
Total Assets		9,623,037	7,686,470
Current Liabilities			
Trade and other payables	7	282,861	184,424
Total Current Liabilities		282,861	184,424
Total Liabilities		282,861	184,424
Net Assets		9,340,176	7,502,046
Equity			
Issued capital	8	10,811,241	8,640,035
Reserves	9	723,795	723,795
Accumulated losses		(2,194,860)	(1,861,784)
Net Equity		9,340,176	7,502,046

The condensed statement of financial position is to be read in conjunction with the accompanying notes.

Condensed Statement of changes in equity

For the half year ended 31 December 2022

	Note	Issued Capital \$	Share Options Reserves \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2021		6,102,035	640,995	(1,294,522)	5,448,508
Loss for the period		-	-	(267,647)	(264,647)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	(264,647)	(267,647)
<i>Transactions with owners, directly in equity</i>					
Issue of options as share-based payments	9	-	82,800	-	82,800
Balance at 31 December 2021		6,102,035	723,795	(1,562,169)	5,263,661
Balance as at 1 July 2022		8,640,035	723,795	(1,861,784)	7,502,046
Loss for the period		-	-	(333,076)	(333,076)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	(333,076)	(333,076)
<i>Transactions with owners, directly in equity</i>					
Share application funds received	8	2,500,000	-	-	2,500,000
Issue of options as share-based payments	9	-	-	-	-
Share issue costs	8	(328,794)	-	-	(328,794)
Balance at 31 December 2022		10,811,241	723,795	(2,194,860)	9,340,176

The condensed statement of changes in equity is to be read in conjunction with the accompanying notes.

Condensed Statement of cash flows
For the half year ended 31 December 2022

	31 Dec 2022	31 Dec 2021
Note	\$	\$
<i>Cash flows from operating activities</i>		
Receipts from Government grants	132,000	132,000
Other receipts	16,932	-
Payments to suppliers and employees	(475,242)	(194,962)
	<hr/>	<hr/>
Net cash used in operating activities	(326,310)	(62,962)
<i>Cash flows from investing activities</i>		
Payments for exploration and evaluation activities	(1,893,645)	(1,534,628)
Payments for property, plant and equipment	(7,109)	(31,639)
	<hr/>	<hr/>
Net cash used in investing activities	(1,900,754)	(1,566,267)
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	2,500,000	-
Payment for share issue costs	(150,000)	-
	<hr/>	<hr/>
Net cash provided by financing activities	2,350,000	-
	<hr/>	<hr/>
Net increase/(decrease) in cash held	122,936	(1,629,229)
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	3,013,946	3,710,144
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	3,136,882	2,080,915
	<hr/>	<hr/>

The condensed statement of cash flow is to be read in conjunction with the accompanying notes.

Notes to the financial statements For the half year ended 31 December 2022

1. Statement of significant accounting policies

These interim financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This half-year report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as the full year annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX.

The half-year financial report was authorised for issue by the directors on 15 March 2023.

1.1 Basis of preparation

The interim report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2022 annual financial report for the financial year ended 30 June 2022 and the corresponding half-year financial report, except for the impact of the new and revised Standards and Interpretations effective 1 July 2022, as outlined below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

1.2 Use of estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 30 June 2022, except for the impact of the new Standards and Interpretations effective 1 July 2022, as outlined below.

1.3 Adoption of new and revised Standards

The Company has considered the implications of new or amended Accounting Standards which have become applicable for the current annual financial reporting period beginning from 1 July 2022. It has been determined by the Company that there is no impact, material or otherwise, of the new or amended Accounting Standards and therefore no changes to Company accounting policies. No retrospective change in accounting policy or material reclassification has occurred during the half year.

Notes to the financial statements

For the half year ended 31 December 2022

2. Segment information

The Company operates in one business segment and one geographical segment, namely the mineral exploration industry in Australia. AASB 8 'Operating Segments' states that similar operating segments can be aggregated to form one reportable segment. Also, based on quantitative thresholds included in AASB 8, there is only one reportable segment, namely the mineral exploration industry. However, none of the individual operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The Company has therefore decided to aggregate all of its reporting segments into one reportable operating segment.

The revenue and results of this segment are those of the Company as a whole and are set out in the condensed statement of profit or loss and other comprehensive income. The segment assets and liabilities are those of the Company and are set out in the condensed statement of financial position.

3. Dividends

No dividends were paid or declared for the half-year ended 31 December 2022 and the directors have not recommended the payment of a dividend.

4. Trade and other receivables

	31 Dec 2022	30 Jun 2022
	\$	\$
Prepayments	32,213	37,228
Deposits paid	1,000	-
GST receivable	98,864	94,386
Rent bond	8,800	8,800
	140,877	140,414

5. Exploration and evaluation expenditure

	31 Dec 2022	30 Jun 2022
	\$	\$
Brought forward exploration and evaluation expenditure	4,427,247	1,770,569
Expenditure incurred during the period	1,817,661	2,656,678
Carried forward exploration and evaluation expenditure	6,244,908	4,427,247

6. Property, plant and equipment

	31 Dec 2022	30 Jun 2022
	\$	\$
Plant and equipment	29,367	32,201
Computer equipment and software	28,932	27,761
Motor vehicles	42,071	44,901
	100,370	104,863

Notes to the financial statements
For the half year ended 31 December 2022

7. Trade and other payables

	31 Dec 2022	30 Jun 2022
	\$	\$
Trade payables and other payables	96,567	172,424
Accrued expenses	7,500	12,000
Accrued capital raising costs ⁽ⁱ⁾	178,794	-
	282,861	184,424

(i) Accrual satisfied via issue of 1,000,000 broker options approved by shareholders at a general meeting on 7 March 2023.

8. Issued capital

	31 Dec 2022	30 Jun 2022
	\$	\$
72,441,078 fully paid ordinary shares (30 June 2022: 63,181,818)	10,811,241	8,640,035

Fully paid ordinary shares	Half-year ended		Year ended	
	31 Dec 2022		30 Jun 2022	
	No.	\$	No.	\$
Balance at beginning of period	63,181,818	8,640,035	55,000,000	6,102,035
Issue of shares ⁽ⁱ⁾	-	-	8,181,818	2,700,000
Issue of shares ⁽ⁱⁱ⁾	9,259,260	2,500,000	-	-
Share issue costs	-	(328,794)	-	(162,000)
	72,441,078	10,811,241	63,181,818	8,640,035

(i) Issue of fully paid ordinary shares at \$0.33 each on 4 April 2022 pursuant to a placement to sophisticated investors in the Company.

(ii) Issue of fully paid ordinary shares at \$0.27 each on 28 November 2022 pursuant to a placement to sophisticated investors in the Company.

9. Options Reserve

Unlisted options	Half-year ended		Year ended	
	31 Dec 2022		30 Jun 2022	
	No.	\$	No.	\$
Balance at beginning of period	17,190,908	723,795	12,300,000	640,995
Issue of options ⁽ⁱ⁾	-	-	800,000	82,800
Issue of options ⁽ⁱⁱ⁾	-	-	4,090,908	-
Issue of options ⁽ⁱⁱⁱ⁾	225,000	-	-	-
Balance at end of period	17,415,905	723,795	17,190,908	723,795

Notes to the financial statements

For the half year ended 31 December 2022

- (i) This represents the value attributed to 800,000 unlisted options exercisable at \$0.600 issued to a Director of the Company.
- (ii) This represents options issued as free attaching options to the 8,181,818 shares issued on 4 April 2022 via a private placement to sophisticated investors.
- (iii) This represents free options issued to employees and key contractors under the Company's Employee Incentive Plan.

The following options arrangements were in existence at the reporting date:

Options Series	Number	Grant Date	Expiry Date	Exercise price \$	Fair value at grant date \$	Vesting date
DM1EOPT1	10,650,000	07 Oct 2020	31 Oct 2023	\$0.3000	\$0.0521	07 Oct 2020
DM1EOPT2	1,650,000	12 Nov 2020	12 Nov 2023	\$0.3000	\$0.0521	12 Nov 2020
DM1EOPT3	800,000	30 Nov 2021	30 Nov 2024	\$0.6000	\$0.2400	30 Nov 2021
DM1EOPT4	4,090,908	02 Jun 2022	02 Jun 2025	\$0.5000	\$0.0000	02 Jun 2022
DM1EOPT5	225,000	31 Aug 2022	31 Aug 2025	\$0.3500	\$0.0000	31 Aug 2022

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

	Series DMEOPT1	Series DMEOPT2	Series DM1UOPT3
Dividend yield (%)	-	-	-
Expected volatility (%)	120.00%	120.00%	100.00%
Risk-free interest rate (%)	0.13%	0.13%	0.53%
Expected life of options (years)	3	3	3
Exercise price (cents)	0.3000	0.3000	0.6000
Grant date share price (cents)	0.1000	0.1000	0.2400

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Options DM1OPT4 were issued for nil consideration as free attaching options to the shares issued on 4 April 2022. Options DM1OPT5 were issued for nil consideration to employees and key contractors under the Company's Employee Incentive Plan. As a result there was no value attributable to these options at grant date.

10. Contingent liabilities and contingent assets

There has been no significant change in contingent liabilities and/or contingent assets since the last annual report. Please refer to the 30 June 2022 annual financial report.

11. Related party transactions

The related party transactions of the half-year financial report are consistent with those adopted and disclosed in the Company's 2022 annual financial report for the financial year ended 30 June 2022.

Directors' Declaration

The Directors declare that:

1. The financial statements and notes as set out on pages 4 to 11 are in accordance with the Corporations Act 2001, including that they:
 - (a) comply with Accounting Standards as described in Note 1 to 11 the financial statements, comply with AASB 134: *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position of the Company as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



ROBERT STUART
Managing Director
Dated this 15th day of March 2023

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF DESERT METALS LIMITED**

Conclusion

We have reviewed the accompanying half-year financial report of Desert Metals Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Desert Metals Limited does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated 15th day of March 2023
Perth, Western Australia

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