

December Quarterly Activities Report for Period Ending 31 December 2022

Desoto Resources Limited (ASX:DES) (“Desoto” or the “Company”) is pleased to provide an update on activities undertaken during the quarter to 31 December 2022.

HIGHLIGHTS

- Desoto Resources (ASX:DES) commenced trading on the ASX on the 16th December 2022, following a A\$10 million Initial Public Offering (IPO)¹.
- IPO cornerstoned by \$3.54 million investment from Mr. Huaiguo Shen², the founder of Jiangxi Chilith Science and Technology Co. (Jiangxi Chilith Co).
- Jiangxi Chilith Co is a private high-tech enterprise founded in 2015 that manufactures cathode materials for lithium-ion batteries and is expected to list on the Beijing Stock Exchange in 2024.
- Other substantial holders include DES Chairman Paul Roberts who made the 4.2Moz Bankan gold discovery, and the Chairman and Managing Director of Arizona Lithium (ASX:AZL).
- Strong news flow pipeline with significant geochemical and geophysical exploration programs completed in the Northern Territory and results pending from the Fenton and Fenix lithium-gold projects.
- Northern Territory emerging as a significant battery-minerals region with Core Lithium (ASX:CXO) close to production at Bynoe and expanding their landholdings to the Pine Creek region where their Shoobridge Lithium Project directly abuts the Fenton and Fenix Project licence within the Pine Creek Pegmatite Province.
- The Company is set to deploy its strong cash balance towards making a greenfield battery and/or precious metals discovery.
- New exploration programs being design by a globally accomplished greenfield exploration team, having been responsible for multiple precious metal discoveries in Africa and Australia.
- Global manganese search now underway with the Company making significant progress towards identifying greenfield high-grade (DSO) manganese deposits in the tropics with a specific focus on battery feedstock.

¹DES ASX Announcement: DES commences trading on ASX following \$10m IPO with cornerstone battery technology investor (16th December 2022).

²DES ASX Announcement: DES Welcomes Cornerstone Battery Metals Investor (16th December 2022)

ABOUT DES AND PROJECTS

DeSoto is a gold and battery-metal exploration Company with a 1,887km² landholding located in the Northern Territory's prolific Pine Creek gold and pegmatite province (Fig.1). The Company's immediate focus is the ongoing exploration of these exciting assets with an experienced Board that uses a distinctive exploration method and capability which sets us apart from our peers.

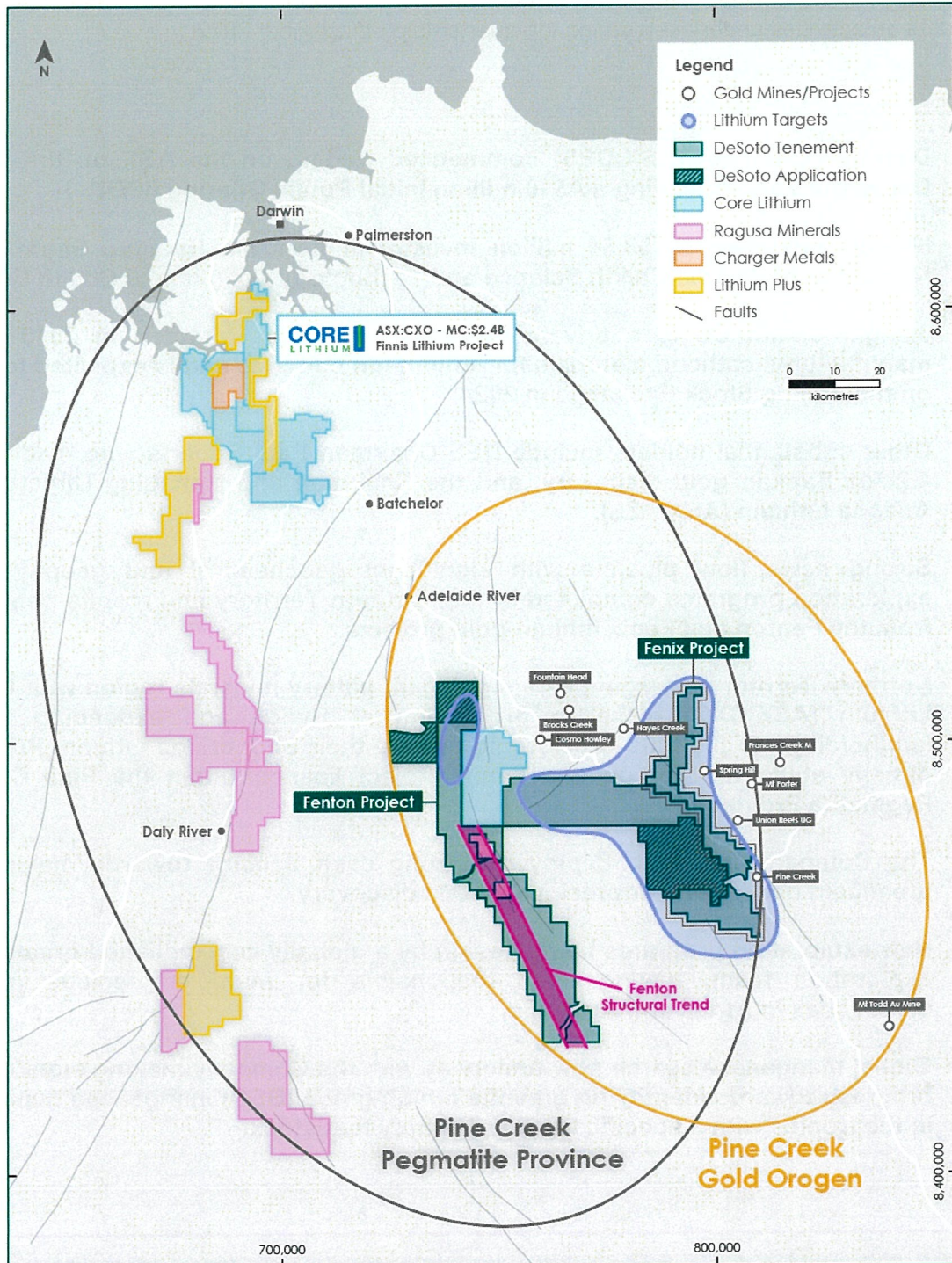


Figure 1 – DeSoto Resources Fenton and Fenix Lithium-Gold Projects, located in the Northern Territory close to new and existing lithium and gold projects.

With strong mineral-finding capability and a systematic geophysics and geochemical approach to gold exploration, we believe we are well positioned to make new discoveries. The Company has already identified some important indicators of lithium potential in our Northern Territory projects, including pegmatites in some historical core and known tin occurrences (Fig 2).

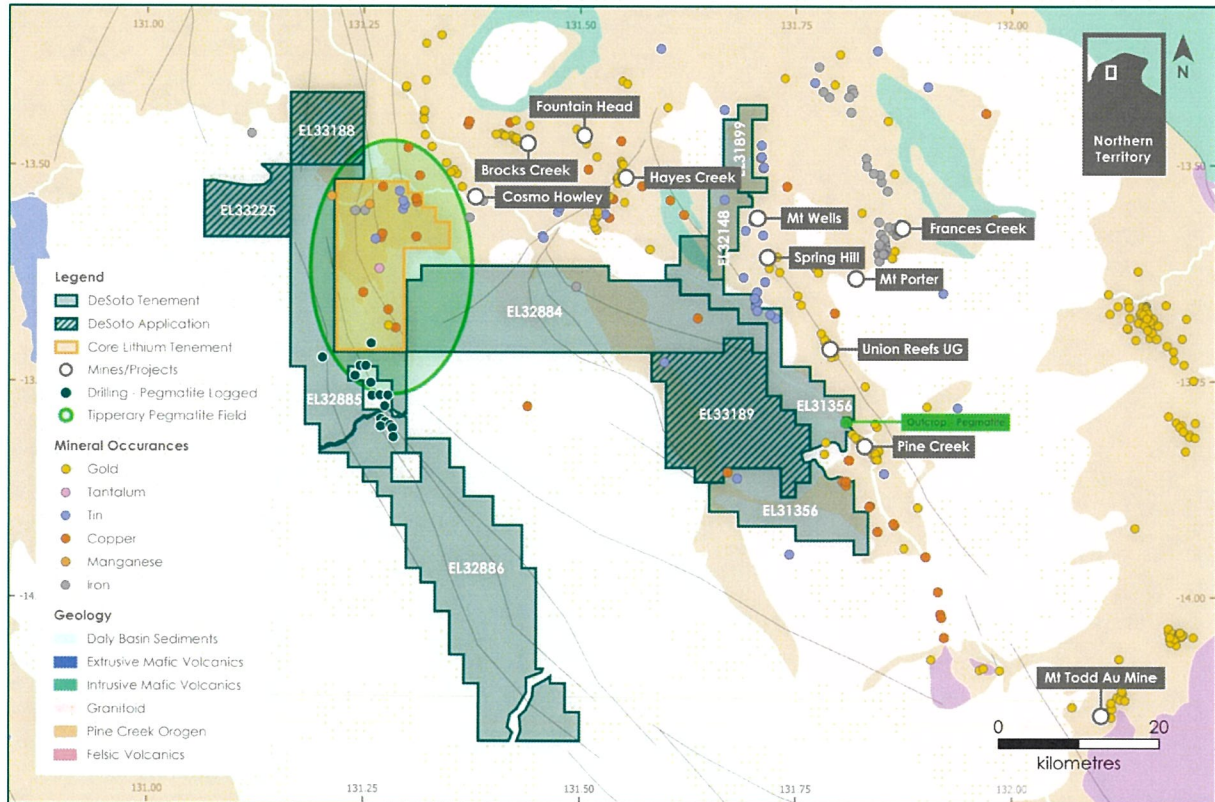


Figure 2 – The Company’s NT landholdings with known mineral occurrences overlain significant structural trends.

Further supporting our strong belief in the lithium-tantalum potential at the Fenton and Fenix Projects is the presence of Core Lithium (ASX:CXO) who recently acquired the Shoobridge Lithium Project, directly abutting DES tenements (Fig 1 and 2). CXO are the owners of the Finnis Lithium Pegmatite mine at Bynoe located 130km to the northwest, which was officially opened in October 2022.

DeSoto Resources is noteworthy for its dedicated Board and management team, which collectively have many years of experience in the resources industry and a track record of finding very large mineral deposits including the recent 4.2Moz Bankan gold discovery in Guinea, West Africa. With a hands-on Board and Management, the Company has commenced initial exploration programs across the Fenix and Fenton Projects.

Directors Paul Roberts and Dr Barry Murphy have developed a targeting system during their time at the Predictive Mineral Discovery Cooperative Research Centre (PMDCRC) which they have applied to mineral exploration in West Africa for over a decade. In addition to proposed exploration programs on the Pine Creek Project, the Company will be supporting further project generation activities using targeting methods developed by Mr Roberts and Dr Murphy with a focus on identifying precious and battery metal targets in selected countries in Africa and South America. The initial focus will be on battery metals, specifically manganese.



Figure 3 – DES Chairman Paul Roberts and Exploration Manager Bianca Manzi on site at the Fenix Project, earlier this year.

The Company will target tropical regions in north-east South America and West Africa, where lateritic weathering is known to produce very high-grade manganese deposits. Ore types targeted will be lateritised manganiferous dolomites and black shales, large high-grade examples of which are known in these regions.

The Company will have a pipeline of news flow and results to update the market, including further information regarding its projects and project generation activities in the Northern Territory and across the tropics.

CORPORATE

- On 14 December 2022, the Company was admitted to the official list of the ASX and official quotation of the Company's securities commenced on 16 December 2022.
- The Company's initial public offering ('IPO') to raise \$10.0 million (before costs), through the issue of 50,000,000 new shares at an issue price of \$0.20 per share, was well supported.
- The Company welcomed a significant lithium-ion battery anode manufacturer as a cornerstone investor via the IPO, taking 19.9% of the shares on issue.
- As per ASX Listing Rule 5.3.1, a summary of the Company's exploration activities for the quarter is contained herein, with exploration expenditure incurred during the period of circa A\$107k.

Project	Cash Expenditure \$'000
Pine Creek Gold and Lithium Project	107
Total	107

- As per ASX Listing Rule 5.3.2, there were no substantive mining production and development activities undertaken during the quarter.
- Desoto is well funded with cash of \$9.5M at 31 December 2022.
- In accordance with Listing Rule 5.3.4, as the December 2022 quarter was in a period covered by a 'use of funds' statement in the IPO Prospectus, below is a comparison of the Company's actual expenditure to 31 December 2022 against the estimated expenditure in the 'use of funds' statement:

Use Of Funds	Per IPO Prospectus (2 year period)	YTD 31 December 2022 ¹
Two (2) Year Exploration Expenditure - Pine Creek Project (Fenton and Fenix)	5,241,667	7,654
New Project Generation Due Diligence	80,000	8,717
Administration and Overheads	1,613,633	88,096
Capital Raising Expenses ²	893,354	486,379
Working Capital ³	3,052,497	11,838
Total	\$10,881,151	602,684

1. Year to date (Period: 14 December 2022 to 31 December 2022)

2. YTD only includes actual costs since date of admission to the official list, per ASX Listing Rule 5.3.4

3. To the extent that: (a) the Company's exploration activities warrant further exploration activities; or (b) the Company identifies additional acquisition or investment opportunities (including manganese and project generation opportunities described in the Prospectus), the Company's working capital will also be utilised to fund such further exploration activities and/or acquisition or investment costs (including due diligence investigations and expert's fees in relation to such acquisitions or investments) as applicable. Any amounts not so expended will be applied toward corporate and administration costs for the period subsequent to the initial two-year period following Admission.

- As per ASX Listing Rule 5.3.5 and as disclosed in Section 6.1 of the Appendix 5B, the company paid \$61k to related parties, being \$46k for directors' salaries, \$13k for consulting fees and \$2k for other corporate support costs.
- Tenement Schedule per ASX listing Rule 5.3.3:

Mining tenements held at the end of the quarter and their location

TENEMENT No.	LOCATION	INTEREST %	HOLDER
Pine Creek Gold and Lithium Project EL32884 EL32885 EL32886 EL33188 (Application)* EL33189 (Application) EL33225 (Application)*	NT	100	Mangusta Minerals Pty Ltd

EL31356 EL32148 EL31899 <small>* These applications were granted after end of the reporting period.</small>			
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Mining tenements acquired during the quarter and their location

100% interest was acquired in Northern Territory tenements EL31356, EL32148 and EL31899

Mining tenements disposed during the quarter and their location

Nil

The beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter

NIL

The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter

NIL

END

This release is authorised by the Board of Directors of DeSoto Resources Limited.

For further information contact:

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

DeSoto Resources Limited

ABN

75 658 510 242

Quarter ended ("current quarter")

31 DECEMBER 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(2)	(43)
(b) development	-	-
(c) production	-	-
(d) staff costs	(112)	(186)
(e) administration and corporate costs	(87)	(146)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – IPO Costs	(139)	(176)
Other – Insurance refund	1	1
Other – GST (outflow)	(57)	(62)
1.9 Net cash from / (used in) operating activities	(394)	(610)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(105)	(137)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(105)	(137)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,002	10,002
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(498)	(560)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease payments)	(14)	(28)
3.10	Net cash from / (used in) financing activities	9,490	9,414

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	558	882
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(394)	(610)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(105)	(137)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,490	9,414

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	9,549	9,549

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,549	558
5.2	Call deposits	4,000	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,549	558

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	61
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(394)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(105)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(499)
8.4 Cash and cash equivalents at quarter end (item 4.6)	9,549
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	9,549
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	19.1
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 17 January 2023.....

Authorised by: By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: *Exploration for and Evaluation of Mineral Resources* and AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

