

Desert Metals Limited

A.C.N. 617 947 172

Interim Financial Statements
For the Half Year ended 31 December 2020

Corporate directory

Board of Directors

Mr Robert Angus Castle Stuart

Mr Mark Robert Stewart

Mr Antony William Worth

Managing Director

Non-Executive Chairman

Technical Director

Company Secretary

Mr Paul Heatley

Mr Johnathon Busing

Company Secretary

Company Secretary

Registered and Principal Office

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Website

www.desertmetals.com.au

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd

London House Level 3, 216 St Georges Terrace

Perth, Western Australia 6000

Share Registry

Automic Group

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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 (Desert Metals or the Company) for the year ended 31 December 2020.

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

REVIEW OF OPERATIONS

Exploration

On 5 November 2020, the Company was advised that its licences for E52/3741, E52/3665 and E51/1907 had been granted. This brings the total number of granted licences to 9 with none currently under application.

New Resolution Geophysics was contracted to collect helicopter electromagnetic data over licences E09/2303, E09/2330, E09/2351, E09/2331, the Irrida, Innouendy and Opal Bore licences. These data are expected to provide additional targets to those drill ready at Innouendy and Irrida and any anomalies will be followed up with the ground and/or down-hole EM.

There was no material exploration activity to report for E51/1901, E51/1907, E52/3650, E52/3665 or E52/3741.

During the period being reported, the Company also received approval from the WA Department of Mines Industry Regulation and Safety (DMIRS) for its 2021 drilling to be co-funded up to \$150,000 via the Exploration Incentive Scheme (EIS) co-funded drilling grant.

Corporate

DM1 Commenced Trading on ASX

The Company commenced trading on the ASX on 18 December 2020 under the ticker code "DM1".

Capital Raising

On 2 November 2020, the Company successfully raised \$1,000,000 via a Placement of 10,000,000 fully paid ordinary shares ("Shares") at an issue price of \$0.10 to sophisticated and professional investors.

On 11 December 2020, the Company raised an additional \$5,000,000 via an Introductory Public Offer and Placement of 25,000,000 Shares at an issue price of \$0.20.

Both Placements were heavily oversubscribed.

SUBSEQUENT EVENTS

On 22 January 2021, the Company announced the beginning of its field season for Q1.

The initial work program will consist of drill testing several strong EM conductors identified at its wholly owned Innouendy and Irrida Hill prospects.

The conductors lie within mafic and ultramafic intrusive bodies and are coincident with large oval shaped magnetic anomalies. Holes will be followed up with down-hole EM to locate any near-miss off-hole conductors.

The drilling costs will be partly covered by a \$150,000 EIS grant from the Western Australian State Government which was approved on 26 November 2020.

The Company commenced a large scale 2,800-line km airborne EM survey with the expectation that this survey would generate additional targets. The survey was completed in February 2021 and the results released via an ASX announcement dated 26 February 2021 following processing of the data by the Company's geophysics consultant, Fathom Geophysics.

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 2020 is set out on page 3.

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

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'Robert Stuart', is written over a light blue rectangular background.

ROBERT STUART

Managing Director

Dated this 15th day of March 2021

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To the Board of Directors

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

As lead audit Partner for the review of the financial statements of Desert Metals Ltd for the half year ended 31 December 2020, 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,



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Partner

Dated at Perth this 15th day of March 2021

Condensed Statement of profit or loss and other comprehensive income
For the half year ended 31 December 2020

	Note	31 Dec 2020 \$	31 Dec 2019 \$
<i>Continuing operations</i>			
Revenue		-	-
Compliance costs	4	(97,085)	-
Directors' fees		(65,000)	-
Exploration expenses	5	(486,180)	(10,156)
Impairment of Intangibles		(5,000)	-
Information technology costs		(5,010)	(591)
Occupancy costs		(2,426)	-
Professional fees	6	(165,237)	(19,430)
Share based payments		(554,865)	-
Travel costs		-	(784)
Other expenses		(21,099)	(16)
		<hr/>	<hr/>
(Loss) before tax		(1,401,902)	(30,977)
Income tax benefit / (expense)		-	-
		<hr/>	<hr/>
Net (loss) for the period		(1,401,902)	(30,977)
		<hr/>	<hr/>
<i>Other comprehensive income, net of income tax</i>			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		-	-
		<hr/>	<hr/>
Total comprehensive loss for the period		(1,401,902)	(30,977)
		<hr/>	<hr/>

The 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 2020

	Note	31 Dec 2020 \$	30 June 2020 \$
<i>Current Assets</i>			
Cash and cash equivalents		5,024,799	296,957
Receivables	7	135,042	1,647
Total Current Assets		5,159,841	298,604
<i>Non-Current Assets</i>			
Property, plant and equipment		-	-
Total Non-Current Assets		-	-
Total Assets		5,159,841	298,604
<i>Current Liabilities</i>			
Trade and other payables	8	49,971	14,862
Total Current Liabilities		49,971	14,862
Total Liabilities		49,971	14,862
Net Assets		5,109,870	283,742
<i>Equity</i>			
Issued Capital	9	6,102,035	515,000
Reserves	10	640,995	-
Accumulated losses		(1,633,160)	(231,258)
Total Equity		5,109,870	283,742

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

Condensed Statement of changes equity
For the half year ended 31 December 2020

	Issued Capital	Share Options Reserves	Accumulated Losses	Total
Note	\$	\$	\$	\$
Balance as at 1 July 2019	265,000	-	(153,495)	111,505
Loss for the period	-	-	(30,977)	(30,977)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	265,000	-	(184,472)	80,528
<i>Transactions with owners, directly in equity</i>				
Share application funds received	-	-	-	-
Transaction costs	-	-	-	-
Balance at 31 December 2019	265,000	-	(184,472)	80,528
Balance as at 1 July 2020	515,000	-	(231,258)	283,742
Loss for the period	-	-	(1,401,902)	(1,401,902)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(1,401,902)	(1,401,902)
<i>Transactions with owners, directly in equity</i>				
Share application funds received	6,000,000	-	-	6,000,000
Option application funds received	-	165	-	165
Issue of options as share-based payments	-	640,830	-	640,830
Share issue costs	(412,965)	-	-	(412,965)
Balance at 31 December 2020	6,102,035	640,995	(1,633,160)	5,109,870

The 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 2020

	31 Dec 2020	31 Dec 2019
Note	\$	\$
<i>Cash flows from operating activities</i>		
Payments to suppliers and employees	(454,143)	(21,115)
Payments for exploration and evaluation activities	(486,180)	(10,156)
	<u>(940,323)</u>	<u>(31,271)</u>
<i>Cash flows from investing activities</i>		
Payment for intangibles	(5,000)	-
	<u>(5,000)</u>	<u>-</u>
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	6,000,000	-
Proceeds from issue of options	165	-
Payment for share issue costs	(327,000)	-
	<u>5,673,165</u>	<u>-</u>
Net increase in cash held	<u>4,727,842</u>	<u>(31,271)</u>
Cash and cash equivalents at the beginning of the period	<u>296,957</u>	<u>114,021</u>
Cash and cash equivalents at the end of the period	<u>5,024,799</u>	<u>82,750</u>

The 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 2020

Note 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. Therefore, it cannot be expected to provide as full understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 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 authorized for issue by the directors on 15 March 2021.

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 2020 annual financial report for the financial year ended 30 June 2020 and the corresponding half-year financial report except for the impact of the new and revised Standards and Interpretations effective 1 July 2020 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 the 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 2020, except for the impact of the new Standards and Interpretations effective 1 July 2020 as outlined below.

1.4 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 on or after 1 July 2020. 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 of material reclassification has occurred during the half year.

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 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 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 consolidated 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 consolidated statement of financial position.

3. Dividends

No dividends were paid or declared for the half-year ended 31 December 2020 and the directors have not recommended the payment of a dividend.

4. Compliance costs

	Half-year ended	Half-year ended
	31 Dec 2020	31 Dec 2019
	\$	\$
ASX Fees	92,947	-
ASIC Fees	4,138	-
	97,085	-

5. Exploration and evaluation expenditure

	Half-year ended	Half-year ended
	31 Dec 2020	31 Dec 2019
	\$	\$
Geophysics	402,059	-
License Fees	-	3,848
Geochem Sampling	997	-
Geological Consulting	7,200	-
Tenement Management	3,624	2,850
Tenement Rents	52,767	-
Tenement Rates	3,899	3,458
Legal Expenses	1,000	-
Consulting & Accounting	1,850	-
Travel - National	12,784	-
	486,180	10,156

6. Professional fees

	Half-year ended	Half-year ended
	31 Dec 2020	31 Dec 2019
	\$	\$
Audit Fees	10,750	-
Consulting & Accounting	54,916	12,144
Legal fees	99,571	7,286
	165,237	19,430

7. Trade and other receivables

	31 Dec 2020	30 Jun 2020
	\$	\$
Prepayments	32,018	-
GST Receivable	103,024	1,647
	135,042	1,647

8. Trade and other payables

	31 Dec 2020	30 Jun 2020
	\$	\$
Trade payables	29,390	10,041
Other creditors and accruals	20,581	4,821
	49,971	14,862

9. Issued capital

	31 Dec 2020	30 Jun 2020
	\$	\$
55,000,000 fully paid ordinary shares (30 June 2020: 20,000,000)	6,102,035	515,000

Fully paid ordinary shares	Half-year ended		Year ended	
	31 Dec 2020		30 Jun 2020	
	No.	\$	No.	\$
Balance at beginning of period	20,000,000	515,000	18,750,000	265,000
Issue of shares ⁽ⁱ⁾	10,000,000	1,000,000	-	-
Issue of shares ⁽ⁱⁱ⁾	25,000,000	5,000,000	-	-
Issue of shares ⁽ⁱⁱⁱ⁾	-	-	1,250,000	250,000
Share issue costs	-	(412,965)	-	-
	55,000,000	6,102,035	20,000,000	515,000

- (i) Issue of fully paid ordinary shares on 02 November 2020 at \$0.1000 each pursuant to a placement to sophisticated and institutional investors of the Company.
- (ii) Issue of fully paid ordinary shares on 18 November 2020 at \$0.2000 each pursuant to a placement via a public IPO.
- (iii) Issue of fully paid ordinary shares on 08 April 2020 at \$0.2000 each pursuant to a placement to sophisticated investor who was an existing shareholder of the Company.

10. Options Reserve

Unlisted options	Half-year ended		Year ended	
	31 Dec 2020		30 Jun 2020	
	No.	\$	No.	\$
Balance at beginning of period	-	-	-	-
Issue of options ⁽ⁱ⁾	7,000,000	364,700	-	-
Issue of options ⁽ⁱⁱ⁾	2,000,000	104,200	-	-
Issue of options ⁽ⁱⁱⁱ⁾	1,650,000	85,965	-	-
Issue of options ^(iv)	-	165	-	-
Issue of options ^(v)	1,650,000	85,965	-	-
	12,300,000	640,995	-	-

(i) This represents the value attributed to 7,000,000 unlisted options exercisable at \$0.300 to Directors of the Company.

(ii) This represents the value attributed to 2,000,000 unlisted options exercisable at \$0.300 to shareholders of the Company pursuant to options offer letters dated 27 October 2020.

(iii) This represents the value attributed to 1,650,000 unlisted options exercisable at \$0.300 issued to various advisers to the IPO for corporate advisory services.

(iv) This represents the cash received in relation to options issued to the advisers to the IPO.

(v) This represents the value attributed to 1,650,000 unlisted options issued to Morgans Corporate Limited pursuant to the lead manager mandate.

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	07 Oct 2023	\$0.3000	\$0.0521	07 Oct 2020
DM1EOPT2	1,650,000	07 Oct 2020	07 Oct 2023	\$0.3000	\$0.0521	07 Oct 2020

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
Dividend yield (%)	-	-
Expected volatility (%)	120.00%	120.00%
Risk-free interest rate (%)	0.13%	0.13%
Expected life of options (years)	3	3
Exercise price (cents)	0.3000	0.3000
Grant date share price	0.1000	0.1000

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.

11. 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 2020 annual financial report.

Directors' Declaration

The Directors declare that:

1. The financial statements and notes as set out on pages 4 to 12 are in accordance with the Corporations Act 2001, including that they:
 - (a) comply with Accounting Standards as described in Note 1 to the financial statements, 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 2020 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:

A handwritten signature in blue ink, appearing to read 'Robert Stuart', is written over a light blue rectangular background.

ROBERT STUART
Managing Director
Dated this 15th day of March 2021

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 2020, 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 Desert Metals Limited financial position as at 31 December 2020 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.

Independent Auditor's Review Report

To the Members of Desert Metals Limited (Continued)



Responsibility of the Directors for the Financial Report

The directors of the Desert Metals Limited 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 2020 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.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 15th day of March of 2021