



DALAROO METALS LTD
ABN 23 648 476 699

INTERIM FINANCIAL REPORT
For the Half -Year Ended 31 December 2022

DALAROO METALS LTD
ABN 23 648 476 699

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DALAROO METALS LTD
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CORPORATE DIRECTORY

| | |
|-----------------------------|---|
| Directors | David Quinlivan – Non Executive Chairman Robert Beeck – Non Executive Director Harjinder Kehal – Managing Director |
| Company secretary | John Arbuckle (<i>appointed 1 September 2022</i>) David Peterson (<i>resigned 31 August 2022</i>) |
| Registered office | Suite 1, 346 Barker Road Subiaco WA 6008 |
| Principal place of business | Suite 1, 346 Barker Road Subiaco WA 6008 |
| Share register | Advanced Share Registry Services Ltd 110 Stirling Highway Nedlands WA 6009 |
| Auditor | Crowe Perth Level 5, 45 St Georges Terrace Perth, WA 6000 |
| Solicitors | AGH Law Level 1, 50 Kings Park Road West Perth WA 6005 |
| Stock Exchange Listing | Dalaroo Metals Ltd is listed on the Australian Securities Exchange. Home exchange: Perth, Western Australia ASX code: DAL |
| Website | www.dalaroometals.com.au |

Company Information

The Company was incorporated and registered under the Corporations Act 2001 in Western Australia.

The Company is domiciled in Australia.

DALAROO METALS LTD
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DIRECTORS' REPORT

The Directors present their interim report of Dalaroo Metals Ltd (**Dalaroo or the Company**) for the half-year ended 31 December 2022.

DIRECTORS

The following persons were Directors of Dalaroo during the whole of the period and up to the date of this report, (unless otherwise stated):

| | |
|-----------------|--------------------------|
| David Quinlivan | (Non-Executive Chairman) |
| Harjinder Kehal | (Managing Director) |
| Robert Beeck | (Non-Executive Director) |

COMPANY SECRETARY

David Peterson (resigned 31st August 2022)
John Arbuckle (commenced 1st September 2022)

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial period was mineral exploration for resources at the Company's Namban and Lyons River projects located in Western Australia which are prospective for PGE-Ni-Cu and Au, Pb-Zn-Cu-Ag, REE deposits respectively.

REVIEW OF OPERATIONS

Lyons River in the Gascoyne Region of Western Australia

Dalaroo's Lyons River Project ("Lyons River") is a strategic (100% owned) land position of 703 km² within the Proterozoic age Mutherbukin Zone of the Gascoyne Province. The Company believes the Gascoyne Province is an emerging Broken Hill Type ("BHT") / Sedimentary Exhalative ("SEDEX") deposit setting.

Base Metals

Browns was targeted for an aircore (AC) drilling programme during July 2022 as one of six significant base metal (Pb-Zn) anomalies in soils identified across Lyons River through staged systematic soil geochemical surveys (Figure 1).

The Company's AC drill program at the Browns prospect was designed to test a very compelling broad Pb-Zn soil and rock chip geochemical anomaly (max 1445ppm Pb, 1080 Zn ppm) covering an area of 2km X 1km, associated with extensive iron-rich and gossanous material at surface. A total of 20 angled AC drill holes for 1,216 metres ranging in depth from 49 to 73 metres were completed.

The maiden AC drilling at Browns identified, significant Pb-Zn-Ag in a new BHT/SEDEX style prospect. Significant Pb-Zn sulphide intercepts included:

- 16m @ 0.72% Pb, 0.35% Zn and 2g/t silver (Ag) from 32m including 8m @ 1.1% Pb and 2.50 g/t Ag from 36m, and
- 28m @ 0.41 % Pb, 0.20% Zn from surface including 8m @ 0.75% Pb, 0.20% Zn and 1.25g/t Ag from 16m.

More than 800m of Pb-Zn strike length mineralisation has been defined which remains open in all directions (Figure 2). The AC drill program has only tested the northern part of the 2km X 1km Pb-Zn soil/rock chip anomaly. Ag intercepts are coincident with Pb and Zn assays and further support the BHT/SEDEX setting model, presence and potential for the discovery of multiple Pb-Zn-Ag deposits.

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Drill hole LRAC007 intersects an ultramafic unit with an early strong nickel (Ni) intersection of 49m @ 0.24% Ni from 12m including 8m @ 0.33% Ni from 16m. (DAL ASX Announcement 12 September 2022).

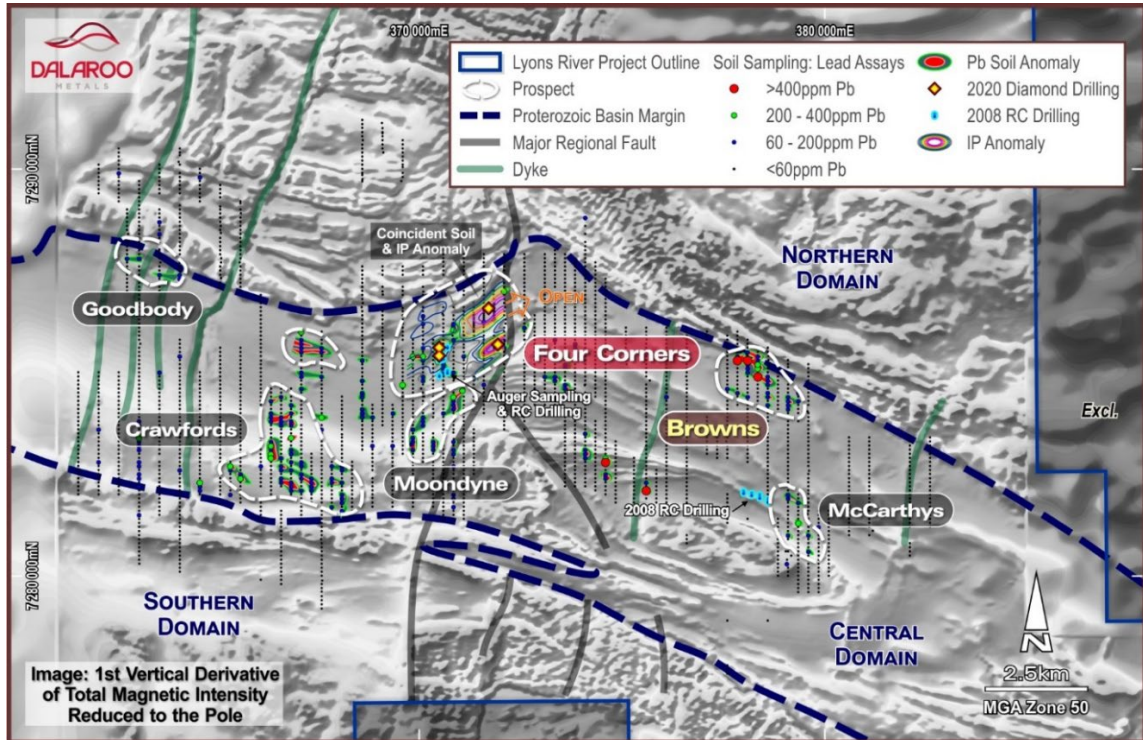


Figure 1: Lyons River, Browns prospect and other five Pb-Zn soil geochemical prospects /targets over greyscale 1 Vertical Derivative image

Browns now represents the second site of Pb-Zn-Ag intersections discovered by bedrock drilling in the Mutherbukin Zone, 5km east of Dalaroo's Four Corners Pb-Zn-Ag prospect. (Figure 1).

During the December 2022 quarter, high-grade base metal and silver rock chip results were returned following geological reconnaissance at Browns (up to 39.6% Pb, up to 0.71% Zn and up to 82g/t Ag). Mineralized rock chips from gossanous units, interpreted to represent surface expression of sulphide Pb-Zn-Ag mineralisation intersected in AC drilling July 2022 (Figure 2). (DAL ASX Announcement 15 November 2022).

The Company's follow up Phase 2 AC drill program at the Browns prospect was undertaken during December 2022 (DAL ASX Announcement 6 December 2022) and was designed to test the following:

- Up dip and step out from LRAC010 significant intersection of 8m of 1.1% Pb and 2.5g/t Ag.
- Northern limb of interpreted synclinal fold closure defined by detailed gravity, coincident with NW-striking and stratigraphy-parallel trend of anomalous Pb-Zn in soils and rock chips from outcropping ferruginous bands (see Figure 2).
- A NE-trending structural feature adjacent to drilled Pb-Zn-Ag mineralized intercepts, interpreted from gravity/magnetic and aerial imagery datasets
- Untested discrete Zn-in-soil anomalism

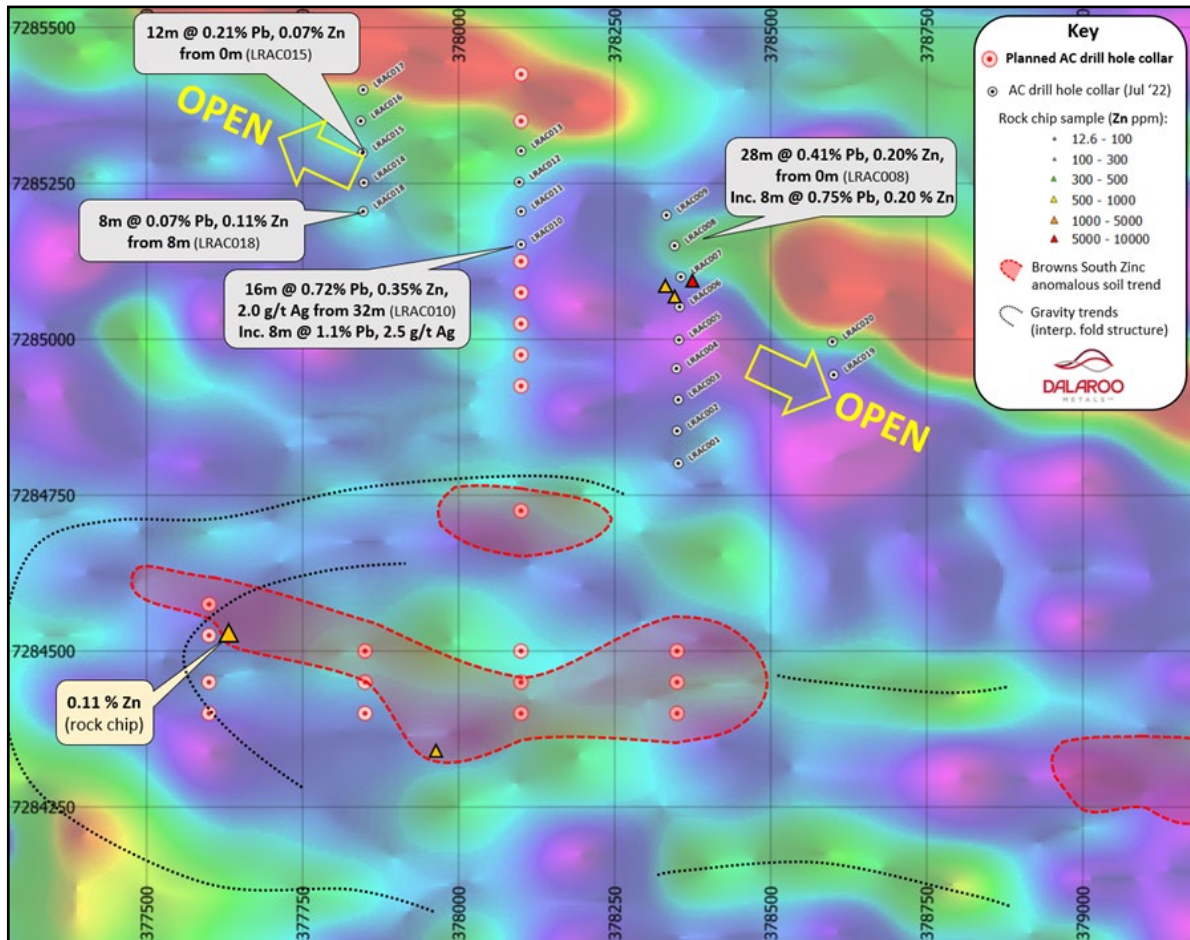


Figure 2: Follow up AC drilling area at the Browns prospect. Note southern Browns untested anomalous Zn geochemical trend coinciding with interpreted fold structure, outlined by 1st Vertical Derivative Bouguer Anomaly Gravity basemap

Rare Earths

Highly encouraging anomalous values of up to 0.15% total rare earth oxide (TREO) have been returned from first ever surface sampling at Lyons River. Reconnaissance rock chip sampling for rare earth elements (REE) was completed over ironstone and radiometric targets at Lyons River (*DAL ASX Announcement 5 October 2022*).

Subsequently robust REE soil anomalies have been outlined at the Marloo River prospect, with up to 1278 ppm TREO. Pegmatite sampling within REE anomalous zone has returned 0.89% TREO in rock chips at Marloo River (Figure 3 and 4).

Large primary pegmatite swarm spanning a 9km x 6km area (referred to as the View Hill Pegmatite Zone) has been identified; and numerous smaller pegmatite swarms within major regional structural corridor. Anomalous first-pass rock chip sample assays from View Hill indicate fertility for rare metal pegmatites, with assays returning: 114 ppm Li, 1638 ppm Rb, 187 ppm Nb and 182 ppm Sn (Figure 3). (*DAL ASX Announcement 1 December 2022*).

There appears to be considerable potential to expand REE/Li footprint at Lyons River with follow up exploration planned during the 2023 field season.

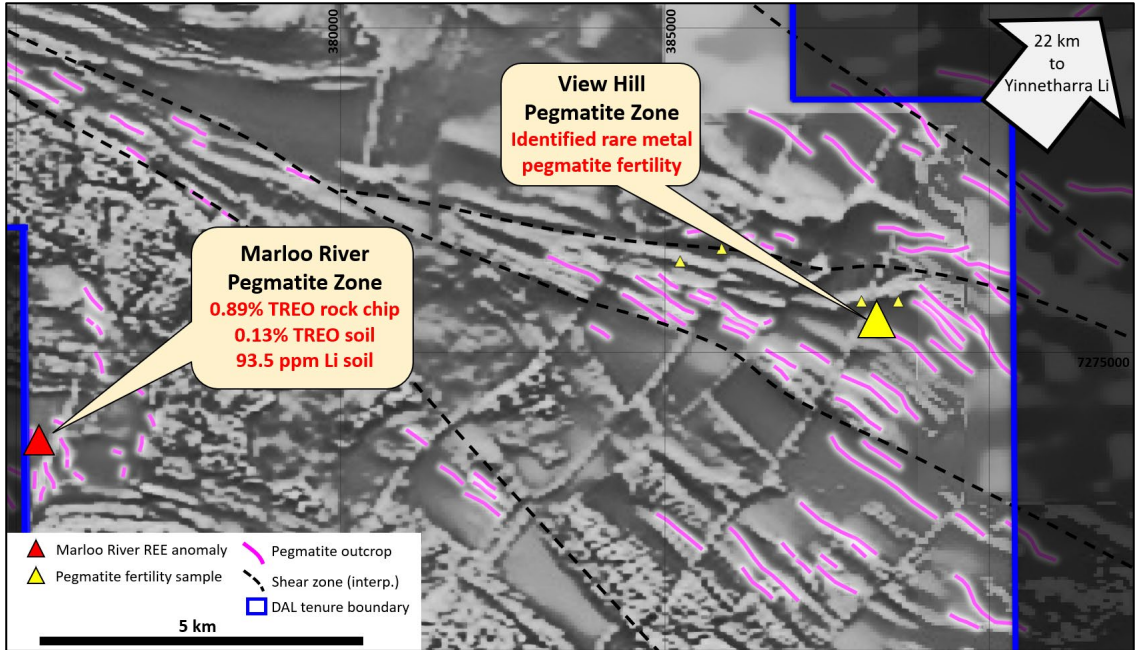


Figure 3: Lyons River Project – Marloo River and location of anomalous TREO geochemical results, and View Hill with location of samples indicating fertile pegmatite and granite areas.

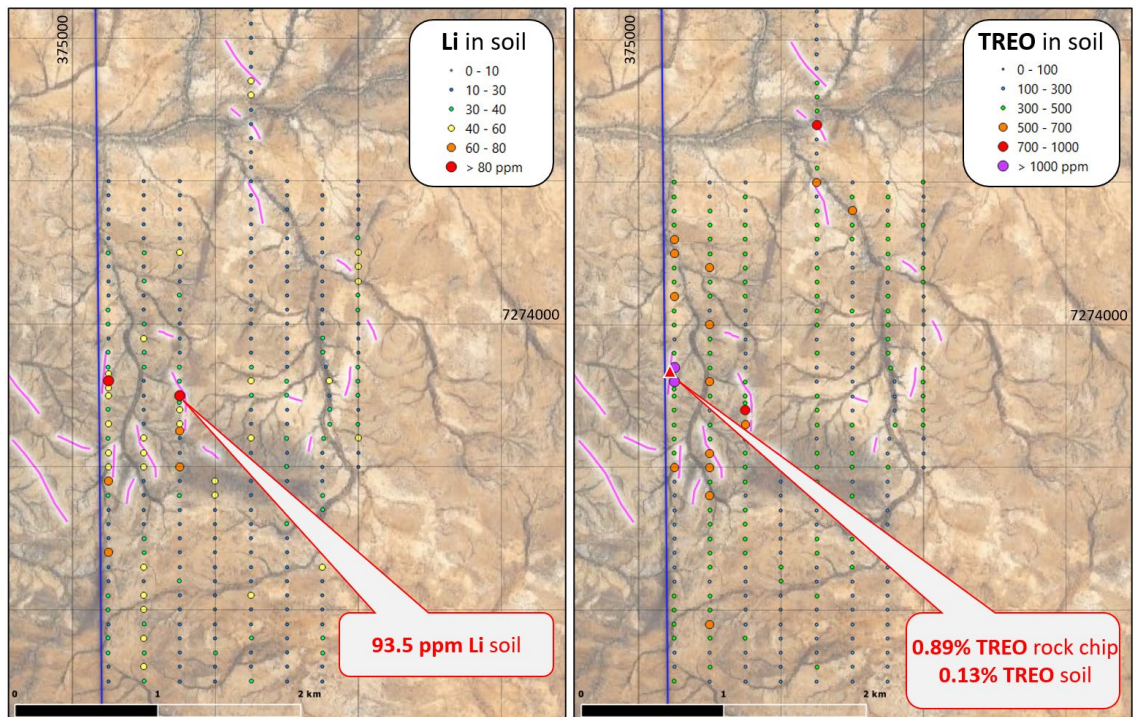


Figure 4: Marloo River anomalous lithium and TREO soil/rock chip geochemistry results.

DIRECTORS' REPORT

Gold

The Goodbody gold prospect was defined in April 2022 from a review of Dalaroo's soil geochemical sampling which was previously completed on a pattern of 250m X 50 to 100m over several campaigns by Serena Minerals Limited (period 2017 to 2021). A peak value of 93ppb Au was returned from the now named Goodbody Central target. Rock chip sampling at Goodbody has been carried out by Audalia Resources Limited (ASX: ACP) during 2014 to 2015, with anomalous Au results of 0.40g/t, 0.32g/t, 3.17g/t, and 6.25g/t returning from low-lying ferruginous quartz vein outcrops at the now named Goodbody West target.

Step-out soil sampling at the Goodbody prospect during the December 2022 quarter has extended Au-anomalous soil footprint to 3km strike length with delineation of three highly anomalous Au-in-soils centres (>10 ppb Au zones) within the broader anomalous Au footprint adjacent to historic 6.25g/t Au quartz vein rock chip sample (Figure 5).

It is noted that high-strength soil anomalies associated with the Goodbody West, Central and East targets spatially coincide with the location of intersections between interpreted WNW-striking structures and NNE-trending structures (Figures 5). Conceptually, structural intersection zones represent potentially intensified deformation areas that may be associated with favourable sites of hydrothermal fluid movement and gold mineralization. As such, the Goodbody Au targets are considered high priority for follow-up exploration work during the 2023 field season (*DAL ASX Announcement 28 November 2022*).

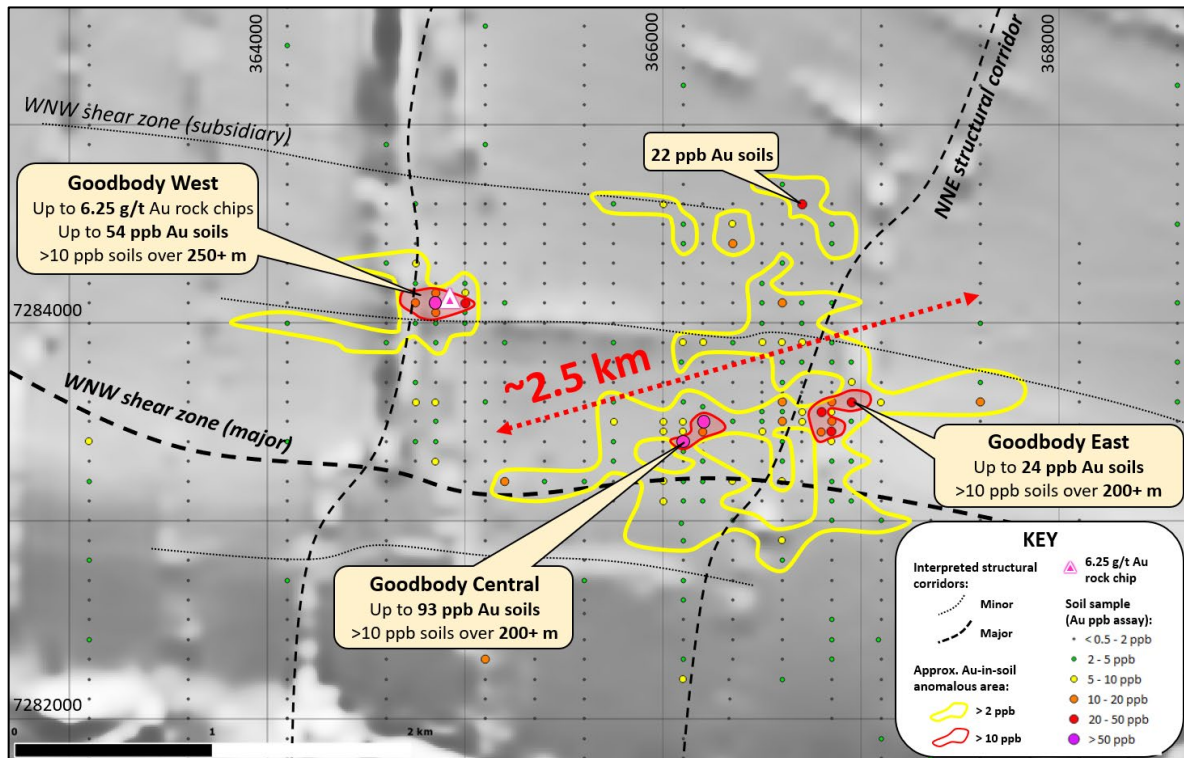


Figure 5: Goodbody gold prospect soil anomaly map, including newly defined discrete Au anomaly targets Goodbody West, Goodbody Central and Goodbody East. Overlaid on greyscale Total Magnetic Intensity (TMI) 1VD basemap.

Namban in the Wheatbelt Region of Western Australia

PGE-Ni-Cu

Dalaroo's Namban Project is an under explored ground package located 150km north-northeast of Perth located within Southwest Terran of the Archaean Yilgarn Craton ("Craton"). The Project covers a strike distance of 60 km adjacent the crustal-scale Darling Fault which defines the western margin of the Craton (Figure 6).

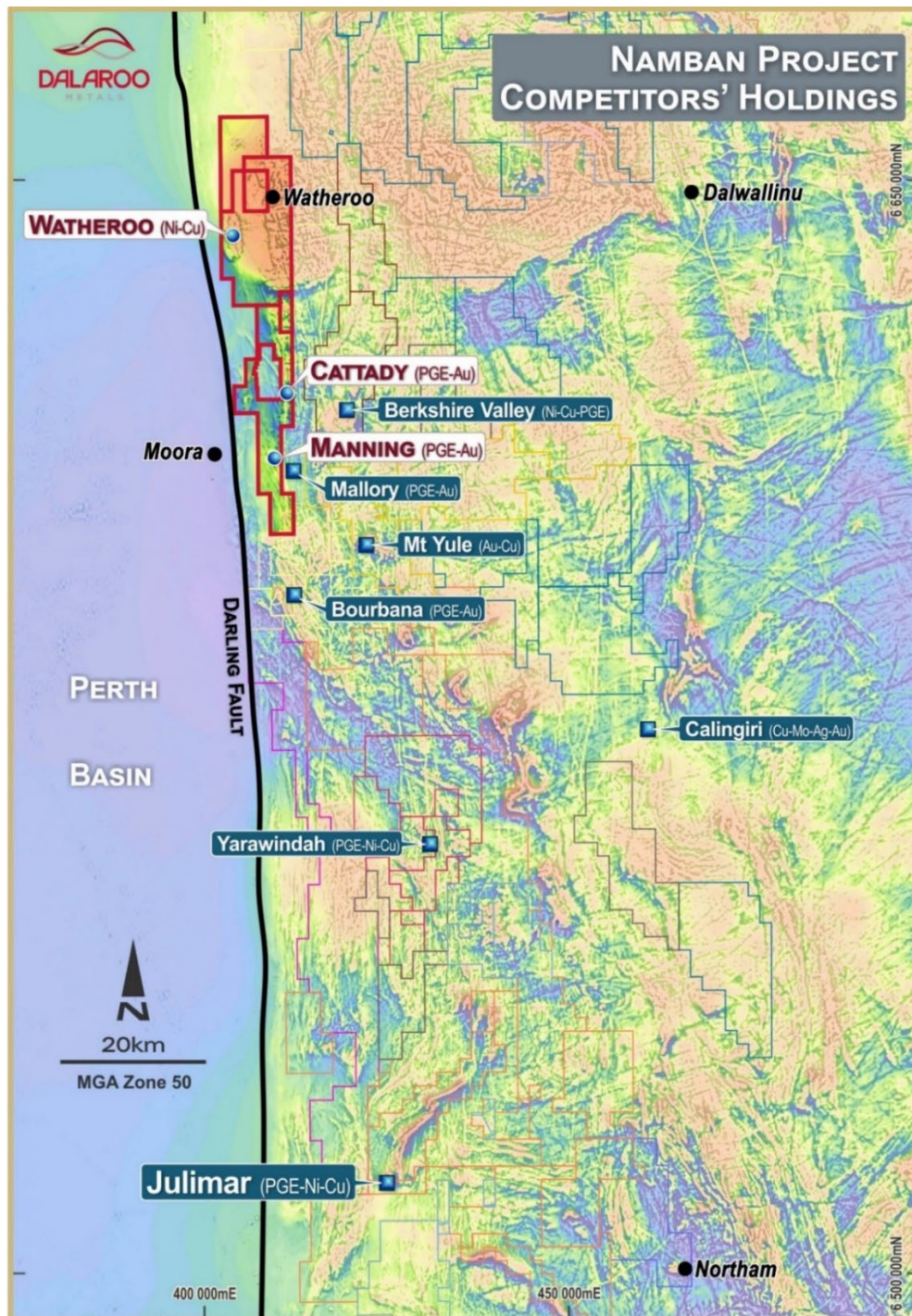


Figure 6: Namban Project Location and competitor map

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DIRECTORS' REPORT

Dalaroo was awarded \$175,000 through a successful application for the Exploration Incentive Scheme (EIS) funded by the Government of Western Australia. Five diamond drill holes are proposed to test the significant Manning PGE*-Cu-Ni-Au geochemical anomalies. Recently defined Induced Polarisation (IP) anomalies with high chargeability values of up to 30 mV/V correlate well with PGE-Ni-Cu-Au geochemistry. Diamond drilling is expected to commence upon completion of the West Australian 2022 harvest season during the March 2023 quarter (*DAL ASX Announcement 21 October 2022*).

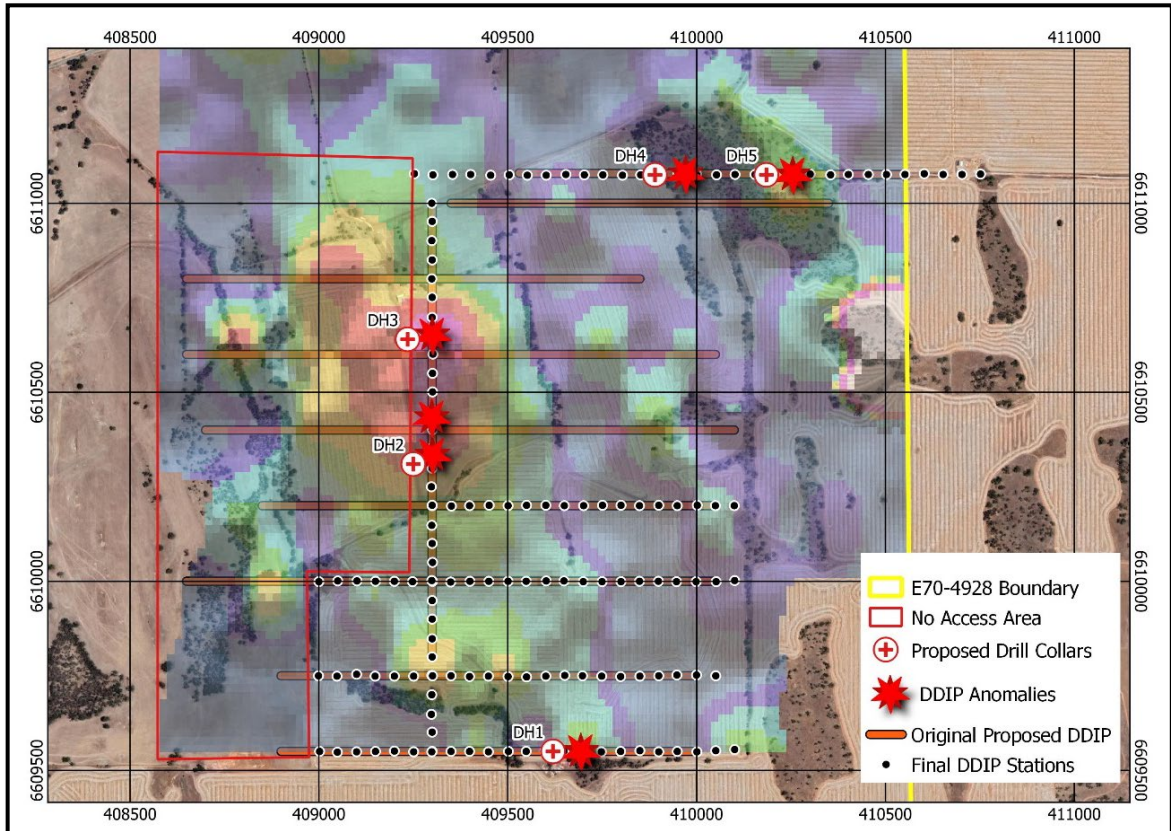


Figure 7: Manning IP survey with final DDIP traverses over Ni geochem anomalies

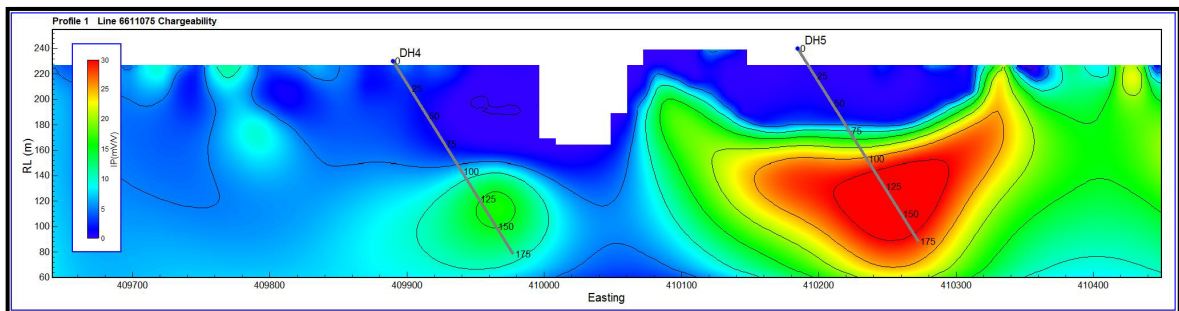


Figure 8: Manning Line 9 - IP inversion results highlighting bedrock anomaly with chargeability of up to 30 mV/V and proposed drill holes DH 4 and DH5.

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DIRECTORS' REPORT

The net loss after income tax for the half-year was \$1,572,095 (2021 loss: \$1,326,541).

Operations during the reporting period were primarily focused on exploration and resource development at the Company's Lyons River and Namban Projects in Western Australia.

At the end of the half-year the Company had \$362,163 in cash and at call deposits (30 June 2022: \$1,657,897). Capitalised mineral exploration and evaluation expenditure (including acquisition costs) is \$971,759 (30 June 2022: \$971,759).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during or since the end of the financial period.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on the following page.

This report is made in accordance with a resolution of the Directors.

DATED at Perth this 7th day of March 2023.



David Quinlivan
Chairman

COMPETENT PERSON

The information in this report that relates to Exploration results is based on information compiled by Dalaroo Metals Ltd and reviewed by Mr Harjinder Kehal who is the Managing Director of the Company and is a Registered Practising Geologist and Member of the AusIMM and AIG. Mr Kehal has sufficient experience that is relevant to the style of mineralisation, the type of deposit under consideration and to the activities undertaken to qualify as a Competent person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Kehal consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Dalaroo Metals Limited for the half year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Crowe Perth



Cyrus Patell
Partner

Signed at Perth, 7th March 2023

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | Note | 31 December 2022 \$ | 31 December 2021 \$ |
|---|------|------------------------|------------------------|
| Revenue | | 6,006 | 123 |
| Total income | | 6,006 | 123 |
| Expenses | | | |
| Personnel expenses and director fees | | (262,716) | (189,176) |
| Marketing and promotion | | (24,795) | (24,425) |
| Finance costs | | (4,053) | (11,817) |
| IPO & Related costs | | - | (158,040) |
| Depreciation | | (41,868) | (35,620) |
| Administration and Other expenses | | (126,787) | (208,137) |
| Share Based Payments | 10 | (372,710) | - |
| Exploration costs expensed | | (745,172) | (699,449) |
| Loss before income tax | | (1,572,095) | (1,326,541) |
| Income tax benefit/(expense) | | - | - |
| Loss for the half year | | (1,572,095) | (1,326,541) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the half year | | (1,572,095) | (1,326,541) |
| Loss per share | | | |
| Basic and diluted loss per share (cents) | | (2.91) | (3.17) |

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

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CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

| | Note | 31 December 2022 \$ | 30 June 2022 \$ |
|--------------------------------------|------|------------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | 5 | 362,163 | 1,675,897 |
| Financial Assets | 6 | 1,000,000 | 1,000,000 |
| Trade and other receivables | | 43,189 | 50,563 |
| Prepayments | | 39,413 | 12,121 |
| Total current assets | | 1,444,765 | 2,738,581 |
| Non-current assets | | | |
| Property, Plant & equipment | | 53,885 | 6,966 |
| Right of use assets | | 116,031 | 154,709 |
| Exploration & Evaluation Assets | 7 | 971,759 | 971,759 |
| Total non-current assets | | 1,141,675 | 1,133,434 |
| Total assets | | 2,586,440 | 3,872,015 |
| Current liabilities | | | |
| Trade and Other payables | 8(a) | 345,570 | 404,648 |
| Lease Liability | | 77,270 | 77,270 |
| Employee Benefits Provision | 8(b) | 27,160 | 17,118 |
| Total current liabilities | | 450,000 | 499,036 |
| Non-current liabilities | | | |
| Lease Liability | | 43,750 | 81,831 |
| Employee Benefits Provision | | 1,176 | 249 |
| Total non-current liabilities | | 44,926 | 82,080 |
| Total liabilities | | 494,926 | 581,116 |
| Net assets | | 2,091,514 | 3,290,899 |
| Equity | | | |
| Issued capital | 9 | 6,032,624 | 6,032,624 |
| Reserves | 10 | 377,710 | 5,000 |
| Accumulated losses | | (4,318,820) | (2,746,725) |
| Total equity | | 2,091,514 | 3,290,899 |

The above statement of condensed financial position should be read in conjunction with the accompanying notes.

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CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | Issued Capital \$ | Accumulated Losses \$ | Reserves \$ | Total \$ |
|------------------------------------|-------------------------|-----------------------------|----------------|------------------|
| 2021 | | | | |
| Balance at 1 July 2021 | 1,346,002 | (79,745) | - | (1,266,257) |
| Comprehensive Income: | | | | |
| Loss for the period | - | (1,326,541) | - | (1,326,541) |
| Shares issued (net of costs) | 4,686,621 | - | - | 4,686,621 |
| Proceeds on issue of Options | - | - | 5,000 | 5,000 |
| Balance at 31 December 2021 | 6,032,623 | (1,406,286) | 5,000 | 4,631,337 |
| 2022 | | | | |
| Balance at 1 July 2022 | 6,032,624 | (2,746,725) | 5,000 | 3,290,899 |
| Comprehensive Income: | | | | |
| Loss for the period | - | (1,572,095) | - | (1,572,095) |
| Share based payments | - | - | 372,710 | 372,710 |
| Balance at 31 December 2022 | 6,032,624 | (4,318,820) | 377,710 | 2,091,514 |

The above statement of condensed changes in equity should be read in conjunction with the accompanying notes.

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CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | Note | 31 December 2022 \$ | 31 December 2021 \$ |
|---|------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Interest received | | 3,650 | 124 |
| Other income | | 2,356 | - |
| Payments to suppliers and employees (corporate) | | (418,423) | (525,507) |
| Payments to suppliers and employees (exploration) | | (1,221,490) | (417,723) |
| Net cash flows used in operating activities | | (1,221,490) | (943,106) |
| Cash flows from investing activities | | | |
| Principal payment for lease liability | | - | (42,000) |
| Payments for property, plant and equipment | | (50,110) | - |
| Net cash flows used in investing activities | | (50,110) | (42,000) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of shares and options | | - | 5,005,000 |
| Payments for share issue costs | | - | (561,644) |
| Repayment of lease liabilities | | (42,134) | - |
| Net cash flows (used in)/from financing activities | | (42,134) | 4,443,356 |
| Net (decrease)/increase in cash held | | (1,313,734) | 3,458,250 |
| Cash at the beginning of the period | 5 | 1,675,897 | 402,152 |
| Cash at the end of the period | 5 | 362,163 | 3,860,402 |

The above statement of condensed cash flows should be read in conjunction with the accompanying notes.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF- YEAR END 31 DECEMBER 2022

Note 1 Basis of preparation of half-year report

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the 30 June 2022 annual financial statements.

The Company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The half-year financial report was approved by the Board of Directors on 7th March 2023.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation are consistent with those previously disclosed in the 30 June 2022 annual financial statements, except for the new accounting policies adopted by the Company during the period, as disclosed below:

Going concern basis for preparation of financial statements

This half-year interim financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the half-year ended 31 December 2022, the Company incurred a net loss after tax of \$1,572,095 (2021: \$1,326,541), had cash outflows from operating and investing activities of \$1,271,600 (2021: \$985,106) and net working capital of \$994,765 (2021: \$2,239,545). The Directors have considered the funding and operational status of the business in arriving at their assessment of going concern and believe that the going concern basis of preparation is appropriate based upon:

- The Company's ability to raise funds from external sources to meet ongoing working and investing capital requirements; and
- The Company's ability to manage the timing of cash flows to meet the committed obligations of the business as and when they fall due.

Should the Company be unable to raise the amount of funding required, there is material uncertainty that the Company will be able to continue as a going concern, and therefore whether it will be able to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

New Accounting Standards and Interpretations on issue not yet applicable

The Directors have not early adopted any new Accounting Standard or Interpretation currently on issue but not yet applicable to the Company.

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NOTES TO THE INTERIM FINANCIALS STATEMENTS
FOR THE HALF-YEAR END 31 DECEMBER 2022

Note 2 Segment information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The Company's sole activity is mineral exploration and resource development wholly within Australia, therefore, it has aggregated all operating segments into the one reportable segment being mineral exploration.

The reportable segment is represented by the primary statements forming these financial statements.

Note 3 Dividends

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2022.

Note 4 Commitments and Contingencies

- (i) Contingent assets and liabilities - There has been no change in contingent assets and liabilities since the last annual reporting date.
- (ii) Commitments - There has been no material changes in commitments since the last annual reporting date.

Note 5 Current Assets - Cash and Cash Equivalents

| | 31 December 2022 \$ | 30 June 2022 \$ |
|--------------------------|------------------------|--------------------|
| Cash at bank and on hand | 362,163 | 1,675,897 |
| | 362,163 | 1,675,897 |

Note 6 Current Assets - Financial Assets

| | 31 December 2022 \$ | 30 June 2022 \$ |
|--------------|------------------------|--------------------|
| Term Deposit | 1,000,000 | 1,000,000 |
| | 1,000,000 | 1,000,000 |

The term deposit was held with National Australia Bank for a term of 12 months commencing 8 February 2022 at an interest rate of 0.5%. This term deposit matures on 8 February 2023.

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NOTES TO THE INTERIM FINANCIALS STATEMENTS
FOR THE HALF-YEAR END 31 DECEMBER 2022

Note 7 Exploration and Evaluation Assets

| | 31 December 2022 \$ | 30 June 2022 \$ |
|---|------------------------|--------------------|
| Opening balance at start of financial period | 971,759 | 971,540 |
| Acquisitions during the period | - | 219 |
| Closing balance at end of financial period | 971,759 | 971,759 |

Note 8 Current Liabilities

| | 31 December 2022 \$ | 30 June 2022 \$ |
|-------------------------------------|------------------------|--------------------|
| (a) Trade and other payables | | |
| Trade payables | 309,908 | 381,426 |
| Other payables | 23,792 | 13,656 |
| Other payables – related parties | 11,870 | 9,566 |
| | 345,570 | 404,648 |

(b) Employee Benefits Provisions

| | | |
|---|--------|--------|
| Annual leave provision (<i>current</i>) | 27,160 | 17,118 |
|---|--------|--------|

Note 9 Issued Capital

| | 31 December 2022 | | 30 June 2022 | |
|---|-------------------|------------------|-------------------|------------------|
| | No. | \$ | No. | \$ |
| a) Share capital | | | | |
| Issued share capital | 54,000,000 | 6,032,624 | 54,000,000 | 6,032,624 |
| b) Share movements during the period | | | | |
| Balance at the start of the financial period | 54,000,000 | 6,032,624 | 29,000,000 | 1,346,002 |
| Shares issued on IPO | - | - | 25,000,000 | 5,000,000 |
| Less share issue costs | | - | - | (313,378) |
| Balance at end of financial period | 54,000,000 | 6,032,624 | 54,000,000 | 6,032,624 |

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NOTES TO THE INTERIM FINANCIALS STATEMENTS
FOR THE HALF-YEAR END 31 DECEMBER 2022

Note 10 Reserves

Options

During the current and comparative financial period the following movements in options over unissued shares occurred:

| | 31 December 2022 | | 30 June 2022 | |
|--|-------------------|--------------|-------------------|--------------|
| | No | \$ | No | \$ |
| Options on issue at the start of the financial period | 13,000,000 | 5,000 | 8,000,000 | - |
| Options issued to IPO Lead broker | - | - | 5,000,000 | 5,000 |
| Options on issue at the end of the financial period | 13,000,000 | 5,000 | 13,000,000 | 5,000 |

Performance Rights

At the date of this report 3,900,000 performance rights have been issued pursuant to the terms and conditions of the Employee Securities Incentive Plan. The vesting conditions for each of the class of performance rights is detailed below:

| Class | | Key Vesting conditions |
|-------|-----------|---|
| 1 | 1,300,000 | The volume weighted average price per Share, calculated over a period of 20 consecutive trading days (VWAP) being equal to or greater than \$0.174. |
| 2 | 1,300,000 | The volume weighted average price per Share, calculated over a period of 20 consecutive trading days (VWAP) being equal to or greater than \$0.196. |
| 3 | 1,300,000 | Eligible participants remaining with the Company until at least 30 June 2025 (Vesting Date), subject to the discretion of the Board under the rules of the Plan. |

Movements in the number of performance rights on issue during the financial period are as follows:

| | 31 December 2022 | | 30 June 2022 | |
|---|------------------|----------------|--------------|----------|
| | No | \$ | No | \$ |
| Performance rights on issue at the start of the financial period | - | - | - | - |
| Options issued to Key Management Personnel as performance rights | 3,900,000 | 372,710 | - | - |
| Performance rights on issue at the end of the financial period | 3,900,000 | 372,710 | - | - |

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NOTES TO THE INTERIM FINANCIALS STATEMENTS
FOR THE HALF-YEAR END 31 DECEMBER 2022

Note 10 Reserves (continued)

No performance rights vested during the half year ended 31 December 2022.

The Incentive Performance Rights to be issued to the Key Management Personnel were independently valued, using the Parisian Barrier¹ Model option pricing model and based on the assumptions set out below, the Incentive Performance Rights were ascribed the following value:

| Input | |
|--|---|
| Number of Performance Rights | 3,900,0000 |
| Assumed Share Price at Grant Date ¹ | \$0.11 |
| Performance Milestones | <p>(Class 1): The 20 Day volume weighted average price of Shares, calculated over consecutive days in which the Shares have traded (VWAP) being equal to or greater than \$0.174.</p> <p>(Class 2): The 20 Day volume weighted average price of Shares, calculated over consecutive days in which the Shares have traded (VWAP) being equal to or greater than \$0.196.</p> <p>(Class 3): Eligible participants remaining with the Company until at least 30 June 2025 (Vesting Date), subject to the discretion of the Board under the Plan.</p> |
| Vesting Period ² | 943 Days |
| Expiry Period ³ | 1,673 Days |
| Dividend Yield | Nil |
| Volatility ⁴ | 92% |
| Risk-free interest rate ⁵ | 3.10% per annum |
| Estimated value per Performance Right | <p>(Class 1): \$0.0903</p> <p>(Class 2): \$0.0864</p> <p>(Class 3): \$0.1100</p> |
| Total value of Performance Rights | \$372,710 |

Notes:

- Based on closing price on 30 November 2022. the valuation noted above is not necessarily the market price that the Incentive Performance Rights could be traded at and is not automatically the market price for taxation purposes.
- Determined from the grant date of the Performance Rights to the expiry date, being 30 November 2025.
- Determined from the proposed grant date of the Performance Rights to the expiry date, being 30 November 2027.
- Estimated based on Hoadley's GARCH long-run forecast and Exponentially Weighted Moving Average volatility models using share price data over the historical period since the Company commenced trading on the ASX to 30 November 2022. The Independent Valuer sense checked this by analysing the 1-year, 2-year, 3-year and 5-year volatilities of comparable companies both in the nickel/base metal sector as well as the PGE sector separately and considered the volatility estimate used was not unreasonable for an approximate 3-year vesting period.
- Continuously compounded rate based on the interpolated two-year and three-year Australian Government bond yields as at 30 November 2022.

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NOTES TO THE INTERIM FINANCIALS STATEMENTS
FOR THE HALF-YEAR END 31 DECEMBER 2022

Note 11 Events Occurring After the Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

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DIRECTORS' DECLARATION

The directors of Dalaroo Metals Ltd ("the Company") declare that:

- (a) the interim financial statements and notes set out on pages 13 to 22 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting*, and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2022 and of the performance for the period ended on that date of the Company.
- (b) 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 Directors.

Signed at Perth this 7th day of March 2023.



David Quinlivan
Chairman

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Dalaroo 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, and notes comprising a summary of significant accounting policies and other explanatory information, 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 accompanying half-year financial report of Dalaroo 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 Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *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 (including Independence Standards)* (the Code) 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Company incurred a net loss of \$1,572,095 during the half year ended 31 December 2022 and, as of that date, the Company had net working capital of \$994,765. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 internal 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 2021 and its performance for the half-year ended on that date, and complying with Australian 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.



Crowe Perth



Cyrus Patell
Partner

Signed at Perth, 7th March 2023