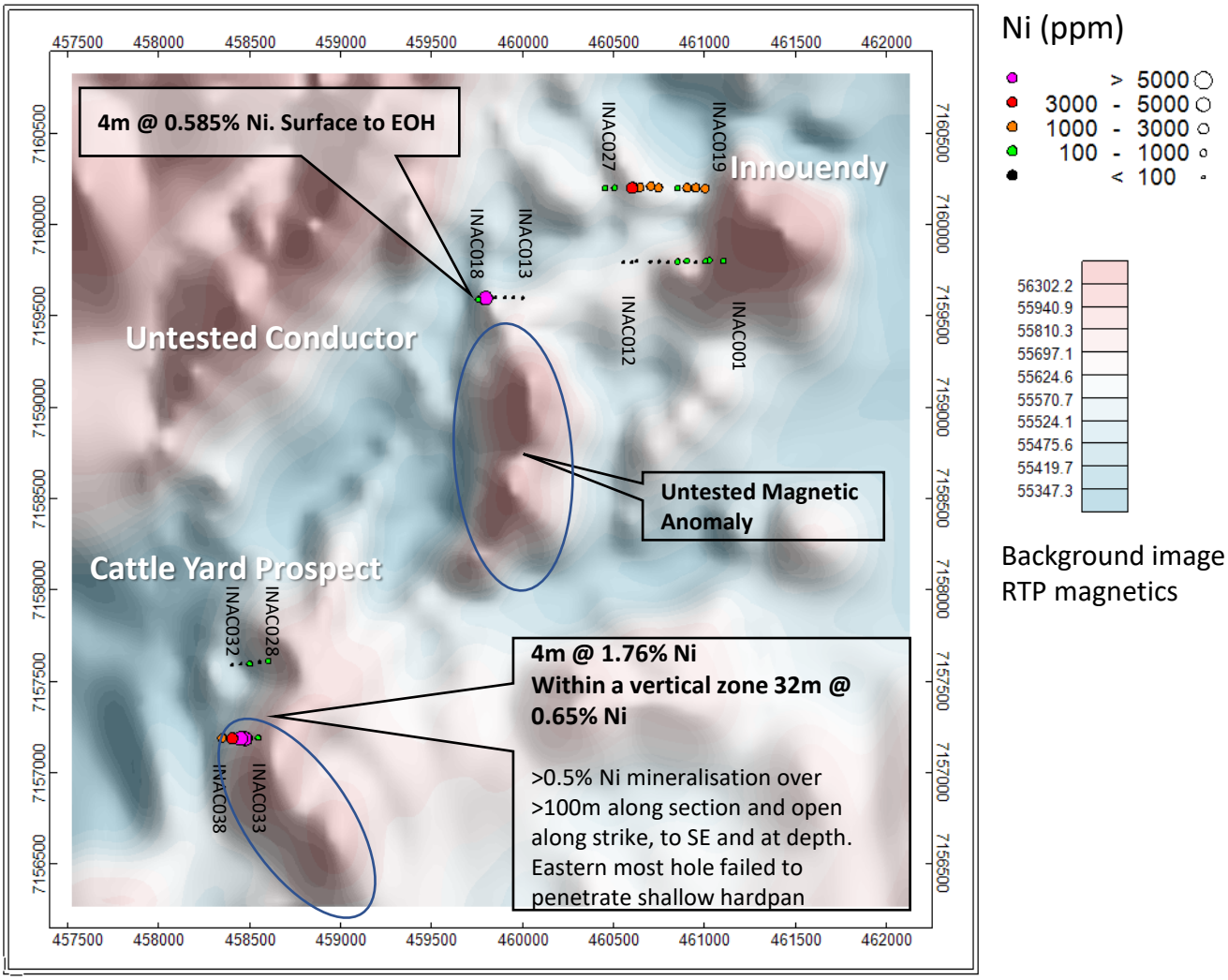
Significant Shallow Nickel Results from Aircore Drilling at the Innouendy Project

Highlights

- Reconnaissance aircore drilling at the Innouendy Project has returned a number of significant nickel intercepts close to surface which could indicate a potential deeper sulphide source
- Newly identified Cattle Yard Nickel prospect returns:
  - **32m @ 0.65% Ni** from 16m to EOH, including:
    - **4m @ 1.76% Ni and 0.11% Co** (believed to be highest grade nickel intercept recorded in the Narryer Terrane to date)
  - **46m @ 0.25% Ni** from 16m to EOH, including:
    - 20m @ 0.35% Ni and 0.07% Co
- Mineralisation at the Cattle Yard Prospect extends over 100m along section and remains open along strike, to the southeast and at depth.
- Separate untested conductor returns:
  - **4m @ 0.585% Ni** from surface to EOH (Unweathered, possible sulphide source which is adjacent to large untested magnetic anomaly)
- A large follow up drilling program is planned to define the extent of the shallow mineralisation and target any associated sulphides
- Additional Innouendy aircore traverse also returns **500m** of highly anomalous PGEs.
- Rare earth (REE) mineral Cerium (Ce) analysed above maximum limits (>500ppm) associated with elevated lanthanum (La) in multiple samples across 10 holes in lateritic clays
- Samples were not originally assayed for the full rare earth suite and are now pending re-assays results
- **Drill Rig currently mobilising to Dingo Pass**. Drilling of the high-conductance Dome anomalies due to begin this week.

Figure 1. Maximum downhole Ni (ppm) over magnetics

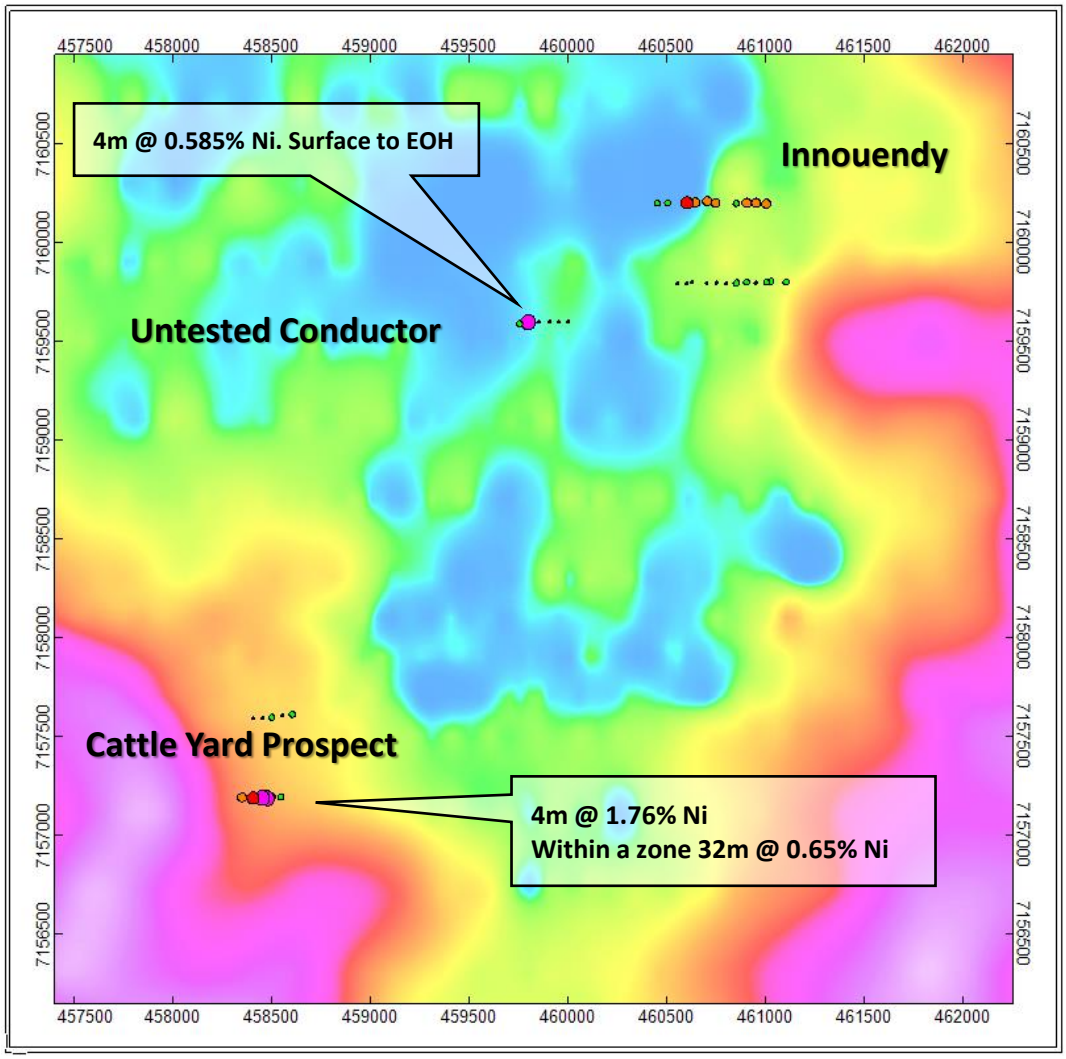


New Nickel prospects at Innouendy

Desert Metals Ltd is pleased to report that reconnaissance aircore drilling has uncovered two highly prospective new nickel prospects at the Company's 100% owned Innouendy Project. (See Table 1, Figures 1,2)

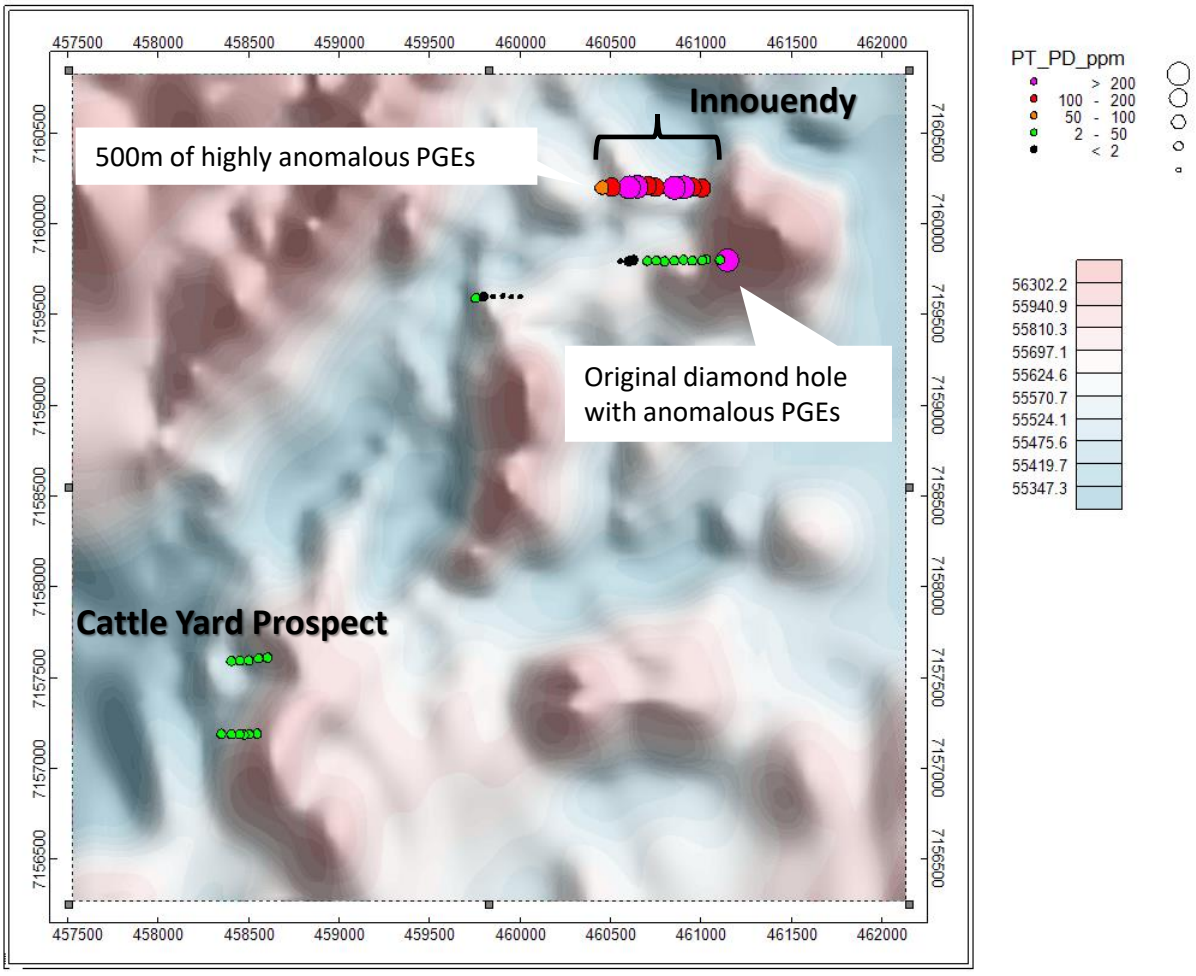
The Cattle Yard Prospect was first targeted through airborne EM and a semi-coincident historical nickel intercept. 4m @ 1.76% in hole INAC036 is believed to be the highest-grade nickel yet intersected by anyone in the Narryer Terrane. The mineralisation is coincident with anomalous cobalt and chrome and occurs within a broader zone of 32m @ 0.65% Ni extending to the end of hole at 47m. Holes across a section > 100m width ended in mineralisation which is open along strike, at depth and to the southeast. Follow up drilling traverses will both define the extent of the shallow mineralisation and target a potential sulphide source.

Figure 2. Maximum downhole Ni (ppm) over conductivity



A second prospect has also been identified approximately 3km to the northeast of the Cattle Yard (Figures 1,2). 4m @ 0.585% Ni was intersected from surface to EOH in fresh rock in hole INAC017. This traverse was targeting an inductive response in airborne EM data that appeared to be superimposed on a chargeable anomaly. Aircore drilling was unable to penetrate more than ~4-10m in this and neighbouring holes due to the very shallow cover. The high nickel grade in fresh rock suggests a sulphide source and the extent of the conductor and adjacent magnetic anomaly will now be tested with further drilling.

Figure 3. Maximum downhole PGE (Pt+Pd)



PGEs

The northern traverse of aircore drilling at Innouendy (holes INAC019 to INAC027) has defined a section >500m wide of highly anomalous PGE (Pt + Pd) within the regolith (Figure 3). Interestingly the southern line, closest to the original diamond hole which intersected anomalous PGEs, did not record significant intercepts. Further drilling is planned to better define the extent and source of this highly anomalous zone.

Table 1. Significant interceptions - nickel and PGEs.

Hole ID	m From	m To	Interval m	Ni %	Cr %	Pt+Pd g/t	Co ppm	Comments
INAC017	0	4	4	0.585	0.55	-	228	Fresh rock - Nickel is too high to be in silicate minerals - sulphides presumed to be present
INAC019	0	60 (EOH)	60	0.06	0.3	0.05	122	
INAC020	0	45 (EOH)	45	0.09	0.33	0.08	178	
incl.	4	24	20	0.12	0.36	0.11	256	
INAC021	0	53 (EOH)	53	0.12	0.33	0.1	158	
incl.	0	24	24	0.11	0.44	0.16	169	
INAC022	0	16 (EOH)	16	0.06	0.52	0.17	152	
incl.	0	8	8	0.07	0.56	0.21	175	
INAC023	0	26 (EOH)	26	0.17	0.47	0.1	218	
INAC023A	0	24 (EOH)	24	0.15	0.48	0.09	235	450m wide zone of anomalous PGEs
INAC024	0	32 (EOH)	32	0.15	0.41	0.13	272	
incl.	0	8	8	0.11	0.4	0.28	409	
INAC025	0	56 (EOH)	56	0.16	0.39	0.12	182	
incl.	0	8	8	0.08	0.42	0.33	75	
incl.	16	28	12	0.34	0.42	0.08	332	
INAC026	0	27 (EOH)	27	0.06	0.17	0.08	76	
incl.	8	16	8	0.08	0.18	0.1	85	
INAC035	28	37 (EOH)	9	0.58	>1%*	-	539	ore grade Ni-Co for laterite Ni
INAC036	16	47 (EOH)	31	0.65	>1%*	-	370	ore grade Ni-Co for laterite Ni
incl.	28	32	4	1.76	>1%*	-	1100	high grade for laterite - sulphide source?
INAC037	16	62 (EOH)	46	0.25	>1%*	-	368	
incl.	32	52	20	0.35	>1%*	-	667	
INAC041	68	72	4	0.055	0.22	0.1	65.6	10.7km from other PGE anomalies

(* includes samples above detection limit)

Rare Earth Elements

Rare earth (REE) mineral Cerium (Ce) has been analysed above maximum limits (>500ppm) in multiple samples across 10 holes in lateritic clays, associated with elevated lanthanum (La). A selection of these samples has been submitted for further analysis and a more complete REE suite of elements to determine the presence of any heavy REE and the significance, if any, of these results. The Narryer terrane has been identified by other explorers as being prospective for ionic adsorption clay (IAC) rare earths deposits (eg Krakatoa Resources Ltd Mt Clere project. ASX:KTA).

Dingo Pass

A drill rig is currently mobilising to Dingo Pass to test the very high conductance anomalies at the Dome. These discrete strong bedrock conductors lie within mapped mafic intrusive rocks, are within several kilometres of the interpreted Craton margin and have coincident nickel, copper and PGE anomalism in soils at surface.

Drilling is expected to start this week.

Authorised by the Board of Desert Metals Limited.

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Competent Person Statement

The information in this announcement that relates to Exploration Results is based on, and fairly represents, information and supporting documentation prepared by Dr Rob Stuart, a competent person who is a member of the Australasian Institute of Mining and Metallurgy. Dr Stuart has a minimum of five years' experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2012 Edition of the Joint Ore Reserves. Dr Stuart is a related party of the Company, being a Director, and holds securities in the Company. Dr Stuart has consented to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g., cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (e.g., 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g., submarine nodules) may warrant disclosure of detailed information.*	• Aircore drilling. Approximately 1kg of sample was collected from each metre interval and composited into one sample for every 4m. The 4m composite samples were then sent for analysis.
Drilling techniques	• *Drill type (e.g., core, reverse circulation, open-hole hammer, rotary airblast, auger, Bangka, sonic, etc.) and details (e.g., core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	• INAC001-INAC0048 Aircore to blade refusal at EOH • Drill collars are surveyed using hand-held GPS (+/- 2 metres horizontal accuracy). • Drill collar orientation was by compass and inclinometer • Downhole surveys were completed with a gyroscope

Criteria	JORC Code explanation	Commentary
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Chip and core recoveries are measured for every drill run • Appropriate measures are taken to maximise recovery and ensure representative nature of the samples. This includes diamond core being reconstructed for orientation, metre marking and reconciled against core block markers
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	• All drill holes are logged in their entirety. Qualitative descriptions of minerology, mineralization, weathering, lithology, colour and other features are recorded and photographed for each sample.
Sub-sampling and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core* • *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Duplicates, blanks and standards were submitted for analysis at a rate of approximately 1 per 20 samples, for quality assurance and control. • Drill sample sizes are considered appropriate for the style of mineralisation sought and the nature of the drilling program.

Criteria	JORC Code explanation	Commentary
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc. the parameters used in determining the analysis including instrument make model, reading times, calibration factors applied and their derivation etc.* • *Nature of quality control procedures adopted (e.g., standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e., lack of bias) and precision have been established.*	• Samples underwent sample preparation and geochemical analysis by ALS Perth. Au-Pt-Pd was analysed by 30g fire assay fusion with an ICP-AES finish (ALS Method code PGM-ICP23). A 48-element suite was analysed by ICP-MS following a four-acid digest (ALS method code ME-MS61) • Certified analytical standards and blanks were inserted at intervals of approximately 1 every 20 samples (i.e.,5% of samples). All QAQC samples returned results within acceptable levels of accuracy
Verification of assaying	• *The verification of significant intersections by either independent or* • *The use of twinned holes.* • *Documentation of primary data, dtat entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• The Desert Metals Exploration Manager has personally inspected all core and chips. • Primary drill data was collected manually on paper and digitally using Excel software before being transferred to the master database in mining software package Micromine. • No adjustments were made to the assay data
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control*	• Drill hole collar locations were recorded using handheld GPS. • Soil sample locations were recorded using handheld GPS. • Expected accuracy is + or -2m for easting, northing and north-seeking gyro with readings at the surface and then approximately every 3m downhole. • The grid system is MGA_GDA94 (zone 50), local easting and northing are MGA. • Topographic surface uses handheld GPS elevation data, which is adequate at the current stage of the project.

Criteria	JORC Code explanation	Commentary
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing, and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample composting has been applied.*	• Drilling to date has been on individual drill holes into a specific target. • Data spacing and distribution is not sufficient at this stage to allow the estimation of mineral resources. • Samples were composted to create 4m composite samples.
Orientation of data in relation to geological structure	• *Whether the orientation of the sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralized structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Insufficient information to determine at this time. • The orientation of drilling is vertical.
Sample security	• *The measures taken to ensure sample security.*	• Samples were sealed in polyweave bags that were cable-tied closed and stored securely on site until transported by company personnel to the lab.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No audits or reviews have been conducted at this stage.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* *The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.*	• Surveys were conducted within DM1 100% owned ExplorationLicense E9/2330 • All tenements are in good standing with DMIRS. DM1 is unaware of any impediments for exploration on these licenses.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties*	• The tenements have had very limited published or open file exploration work for magmatic VMS type deposits. • Limited exploration undertaken to date by past explorers was mostly focused on iron ore, and, to a lesser extent, gold. • The main exploration that is relevant to Desert Metals is described in the prospectus downloadable from the company's' website
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Mineralisation anticipated to be related to mantle-derived intrusives intersected by trending linear structures. • Mineralisation anticipated to be related to Volcanic hosted massive sulphide style deposits • Mineralisation anticipated to be related to orogenic style gold deposits

Criteria	JORC Code explanation	Commentary
Drill hole information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole collars* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length* *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	

Hole ID	East	North	Azimuth	Dip	Depth	Project
INAC001	461104	7159802	270	-60	83	Innouendy
INAC002	461027	7159805	270	-60	46	Innouendy
INAC003	461005	7159800	270	-60	53	Innouendy
INAC004	460950	7159797	270	-60	48	Innouendy
INAC005	460902	7159802	270	-60	48	Innouendy
INAC006	460851	7159797	270	-60	39	Innouendy
INAC007	460797	7159794	270	-60	28	Innouendy
INAC008	460751	7159798	270	-60	20	Innouendy
INAC009	460702	7159796	270	-60	10	Innouendy
INAC010	460625	7159801	270	-60	10	Innouendy
INAC011	460600	7159795	270	-60	11	Innouendy
INAC012	460551	7159795	270	-60	10	Innouendy
INAC013	460000	7159599	270	-60	8	Innouendy
INAC014	459950	7159600	270	-60	4	Innouendy
INAC015	459904	7159603	270	-60	5	Innouendy
INAC016	459849	7159600	270	-60	10	Innouendy
INAC017	459796	7159598	270	-60	4	Innouendy
INAC018	459754	7159591	270	-60	30	Innouendy
INAC019	461002	7160198	270	-60	60	Innouendy
INAC020	460951	7160202	270	-60	45	Innouendy
INAC021	460903	7160202	270	-60	53	Innouendy
INAC022	460851	7160199	270	-60	16	Innouendy
INAC023	460746	7160202	270	-60	26	Innouendy
INAC023A	460704	7160211	270	-60	24	Innouendy
INAC024	460644	7160204	270	-60	32	Innouendy
INAC025	460601	7160202	270	-60	56	Innouendy
INAC026	460504	7160202	270	-60	27	Innouendy
INAC027	460452	7160200	270	-60	56	Innouendy
INAC028	458602	7157611	270	-60	28	Innouendy
INAC029	458553	7157607	270	-60	13	Innouendy
INAC030	458499	7157596	270	-60	22	Innouendy
INAC031	458450	7157595	270	-60	16	Innouendy
INAC032	458402	7157592	270	-60	28	Innouendy

Criteria	JORC Code explanation	Commentary
		INAC033 458545 7157192 270 -60 33 Innouendy INAC034 458501 7157190 270 -60 21 Innouendy INAC035 458473 7157186 270 -60 37 Innouendy INAC036 458449 7157188 270 -60 47 Innouendy INAC037 458403 7157188 270 -60 62 Innouendy INAC038 458347 7157191 270 -60 64 Innouendy INAC039 452950 7153098 270 -70 78 Innouendy INAC040 452852 7153106 270 -70 63 Innouendy INAC041 452749 7153101 270 -70 90 Innouendy INAC042 452649 7153106 270 -70 73 Innouendy INAC043 452550 7153109 270 -70 27 Innouendy INAC044 452455 7153113 270 -70 75 Innouendy INAC045 452358 7153107 270 -70 60 Innouendy INAC046 452251 7153107 270 -70 28 Innouendy INAC047 452151 7153111 270 -70 30 Innouendy INAC048 452053 7153107 270 -70 37 Innouendy
Data aggregation methods	• *In reporting Exploration Results, weighting average techniques, maximum and/or minimum grade truncations (e.g., cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporated short lengths of high-grade results and longer lengths of low-grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregation shown in detail.* *The assumption used for any reporting of metal equivalent values should be clearly stated.*	• The reported intervals used only 4m composite sample data.

Criteria	JORC Code explanation	Commentary
Relationship between mineralisation	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*	Any reported intervals are “down hole” lengths
widths and intercept lengths	• *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g., ‘down hole length, true width not known’).*	
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Refer to Figures in body of text
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• All results considered significant are reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• All known and relevant data has been reported.
Further work	• *The nature and scale of planned further work (e.g., tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• A full review of the results to date will be undertaken prior to any future programs being planned.