DESERT METALS Limited

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BOARD:
Mr Mark Stewart
Chairman

Dr Robert Stuart
Managing Director

Mr Tony Worth
Technical Director

Mr Keith Murray
Non-executive Director

HEAD OFFICE
Level 2, 41-43 Ord St.
West Perth WA 6005

Email:
admin@desertmetals.com.au

Website:
www.desertmetals.com.au

Exploration Update

Highlights

Irida Hill Drilling

- Two holes completed. IRRDD004 intersected 9.5m of semi-massive sulphide (pyrrhotite dominated) from 260m in IRRDD04 (Modelled depth of plate 268m). Sulphide is immediately adjacent to a 30m intersection of mafic intrusive. Similar massive sulphide conductors intersected over multiple thin bands of 1m width and less in both holes. (IRRDD002, IRRDD004).
- Non-sulphide geology is interfingered BIF with mafic and amphibolite schist and mafic intrusive. Irrida is the Company's second project (after Innouendy) to intersect mafic intrusive associated massive sulphide. Methodology for pinpointing new massive sulphide mineralisation over a large area in the Narryer Terrane verified.
- Alteration and remobilisation of sulphide intersections apparent.
- Awaiting further drilling, assays and downhole EM for complete interpretation**.**

New Drill Targets defined

- A total of seven new high conductance drill targets defined from ground EM follow up of airborne data in the Company's eastern licenses.
- Six targets of up to 12,000 Siemens conductance surround a new prospect 'The Dome' in mafic intrusive at Dingo Pass. One VMS target in greenstone belt at Belele.

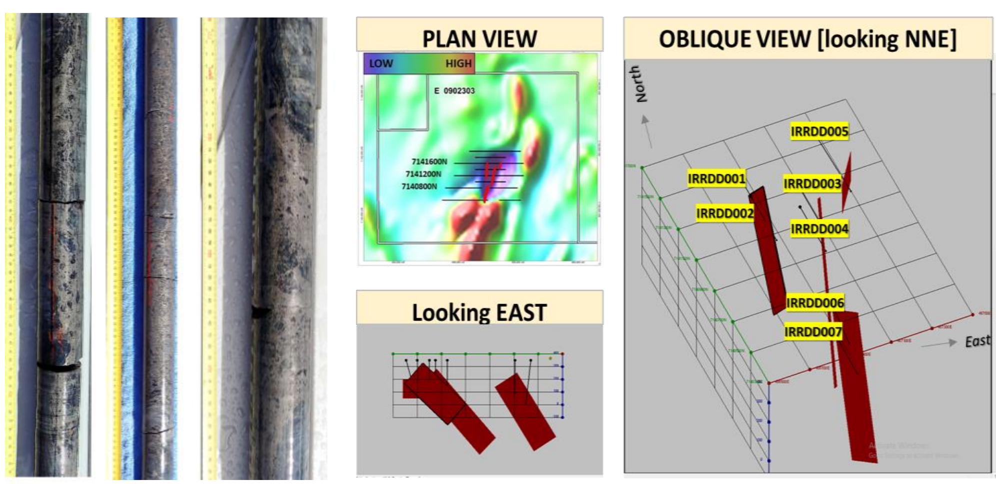


Figure 1: Irrida Hill drilling a) Sulphide core from 162m IRRDD002 b) IRRDD004, 222m c) IRRDD002, 163m d) Section, plan and oblique view of Irrida Hill EM plate modelling

Cross section (looking North)

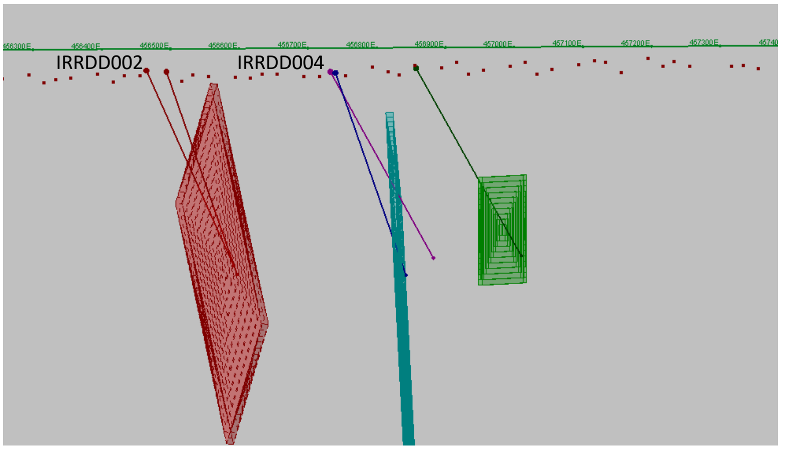


Figure 2: EW section through Irrida Hill. IRRDD004 intersected multiple zones of massive to semi-massive pyrrhotite (0.1-1m) before intersecting a larger semi-massive (9.5m) intensively talc altered zone at 260m (Modelled depth 268m). Modelled plates shown

Irrida Hill Drilling

Desert Metals (The Company or Desert) would like to provide an update on the drilling program at Irrida Hill. As both holes so far drilled are yet to be formally logged or assayed any interpretation is preliminary.

The first holes into two modelled EM conductive plates at Irrida Hill have both intersected several widths (ranging from 10cm to 1m) of semi-massive to massive pyrrhotite with trace copper and nickel sulphide. (Holes IRRDD002 and IRRDD004 on Figures 1 and 2). IRRDD004 intersected a much larger zone (9.5m downhole) of intensely talc altered zone with semi-massive sulphide at 260m. The modelled downhole depth of intersection for this plate was 268m

These conductors were first identified by the Company's ground EM program last year and confirmed by regional helicopter data collected in February this year. These intersections confirm the effectiveness of the Company's methodology in being able to detect, define and pinpoint rare occurrences of new massive sulphide mineralisation over the Narryer Terrane. Both of the Company's projects to date and all 5 holes drilled by Desert have intersected at least some massive sulphide and associated mafic-ultramafic rock, two key requirements for a deposit of the Ni-Cu-PGE Intrusive type.

The significance of these first 2 holes at Irrida is that the conductors intersected are intrusive related massive sulphide and are modelled to extend over 1km of strike and several hundred metres depth in extent. This is considerably larger than identified at Innouendy and represents the second known intersection of its type in the Narryer Terrane.

Like at Innouendy, the Company is encouraged that it has located another, possibly extensive, system across which it can systematically test for ore. The assay results from Innouendy are not due until early August, but like these Irrida hill intersections Desert is not expecting ore grade nickel from those holes. It is the identification of mineral systems that is significant at this early stage and the search for high grade continues. PGE concentrations or any hydrothermal related mineralisation is possible but unknown.

The Company believes it can map the occurrence of the Irrida Hill massive sulphide mineralisation from EM data and now must sample the extensive horizon by drilling in several locations to test for ore. Ni-Cu-PGE mineralisation that has been remobilised and/or hydrothermally altered is often enriched in platinum, palladium, gold and other PGE's relative to nickel. In hole IRRDD002 there is evidence of a retrograde hydrothermal event and only once assays are received will we be sure whether enrichment has occurred and if there are any significant PGE or Au intercepts in what has been drilled so far.

The Company continues to systematically work through its portfolio and the drilling program has moved to the next untested conductor at IRRDD005 where a 120m pre-collar has been drilled. The intersection of undeformed pyroxenite (ultramafic intrusive) in the RC pre-collar may increase the chance that this conductor is a primary magmatic source.

Production on the Irrida Hill drilling program has been slower than hoped and as of the date of this release only 2 holes have been completed. Slow production has been due to a number of factors including several wet weather delays, drill rig availability and difficult ground conditions. However in the last few days drilling rates have picked up.

The next targets in the Portfolio – Volcanogenic Massive Sulphide and Ni-Cu-PGE Intrusives

Dingo Pass Conductors

Airborne EM data was acquired over the Company's eastern licenses in May this year. Several anomalies have now been followed up with ground EM and plate models made. Conductivities from these are modelled at up to 12,000 Siemens. This is very high. For comparison the Nova Bollinger conductor was initially modelled at ~5000 S and the multiple conductors at Irrida Hill ~3000 S. The higher the conductance the greater the chance it is caused by a thicker deposit of massive sulphide.

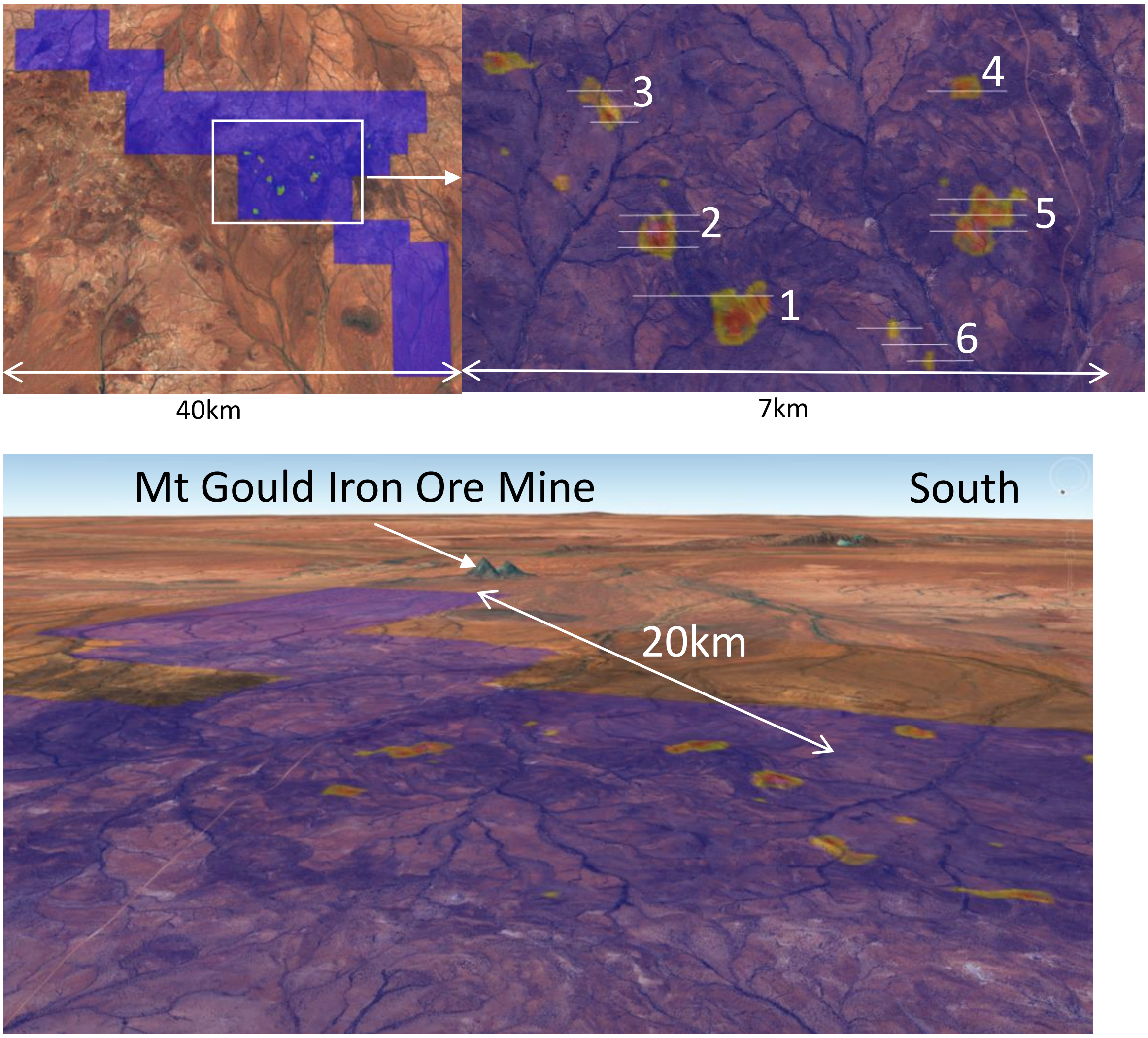
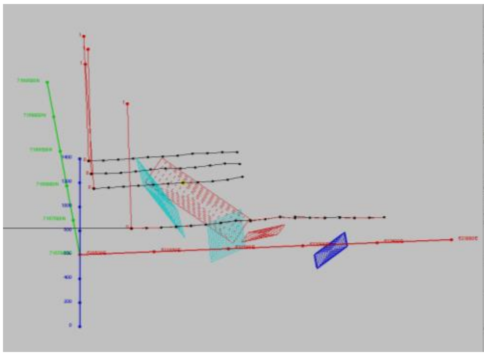
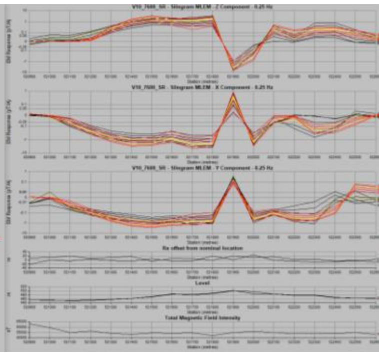
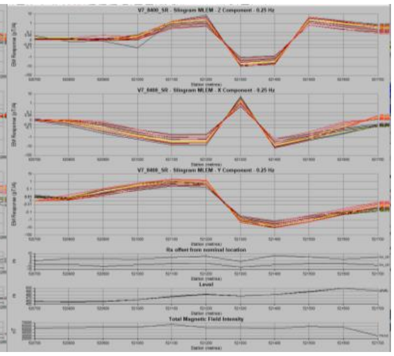


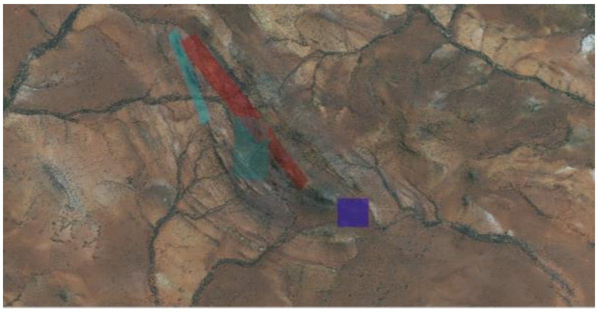
Figure 3. 6 separate Dingo Pass Conductors shown at different scales. These sit within mafic intrusive mapped by Desert. They are modelled at up to 12,000 S and together are unique across the Company's entire license package. **Background image** - late time Airborne EM over satellite photo. White lines - ground EM traverses.

Ground EM modelling over the Dome in the Dingo Pass license.

a) b) c)

d)



e)

Figure 4: Ground EM Modelling

a) Oblique view of plates modelled through the Dome looking NE. Plates are modelled in the 9000-12,000S range.

b) Comparison between modelled and measured 0.25Hz late time vector field data (Ch35-40, 156-460ms) over line 7600. The black lines are the measured time channels 35-40 with the response decaying with time. Red lines are the response of the model at the same time channels. The excellent correlation between the two gives confidence that the model is a good representation of ground conditions and when drilled we can expect to intersect conductive material at the modelled depth. X, Y and Z profiles are shown. These are the components of the induced vector field and are independently measured datasets. No one set of these data is derived from any other and they all must be analysed individually to create a good model.

c) Line 8400. Same description as for b) above. All 4 lines collected (ie 12 field components) have been modelled simultaneously.

d) Satellite photo over the Dome. Deserts' geologists have mapped undeformed mafic intrusive rocks that are the dark colours of the Dome.

e) The same image with the modelled conductive plates superimposed.

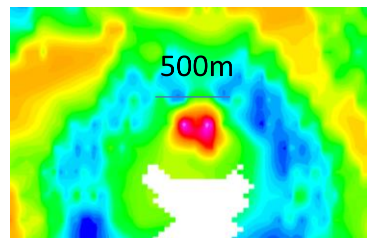
These very strong conductors in mafic intrusives will be drilled once permitting has been finalised.

Volcanogenic Massive Sulphide (VMS) target at Belele

Ground EM survey results

Ground EM has been completed over the Belele VMS target (E51/1907) roughly 50km northwest of Meekathara. These data confirm a plate approximately 600m strike by 220m depth in extent with conductivities in the range of many VMS deposits. The conductive plate strikes NE-SW in an interpreted extension of the Mingah Range Greenstone Belt and is completely covered by alluvium and colluvium. The Mingah Range Greenstone Belt has previously been explored for gold and base metals and contains numerous historical gold showings, as well as several reported base metal gossans. Belele will be drilled as soon as permitting allows.

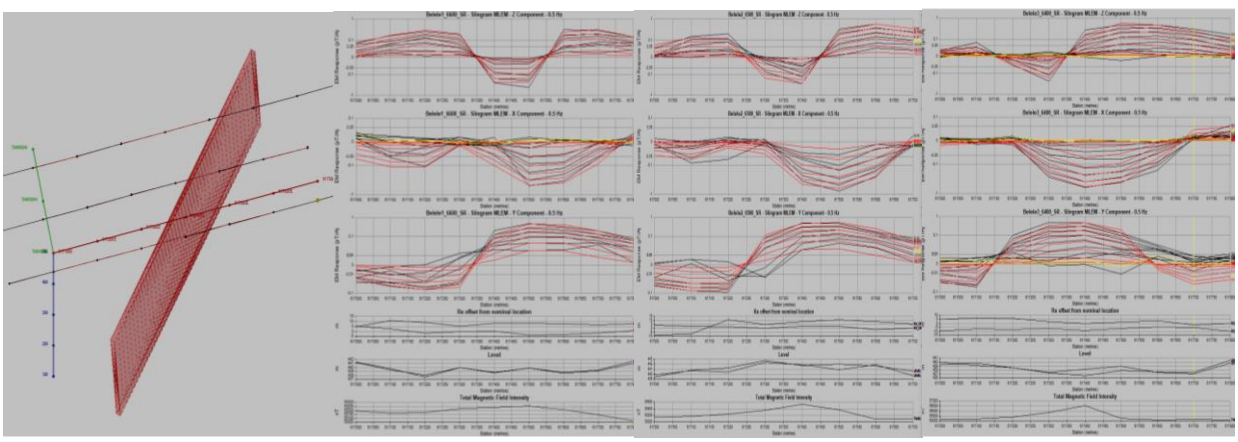
Figure 6 The Belele tenement – EM survey results

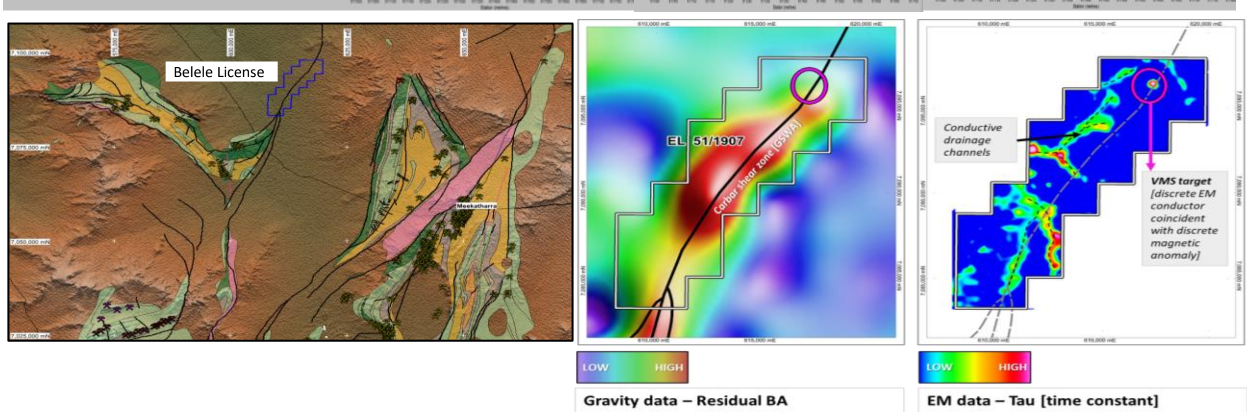


Top right: Image of late time airborne EM data over the Belele anomaly.

Middle images: Model of 600m x 220m conductive plate which may be caused by VMS mineralisation. See Figure 4 for explanation of profiles.

Bottom Images: Geology, Bouguer gravity and Airborne EM over the Belele License.





Authorised by the Board of Desert Metals Limited.

Rob Stuart
Managing Director
Phone: +61 (8) 9758 1333

Tony Worth
Technical Director
Phone: +61 (8) 9758 1333

Competent Person Statement

The information in this announcement 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 mineralisation 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 Committee Australasian Code for Reporting of Exploration Results, Mineral Resources and 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 (eg 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 (eg '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 (eg submarine nodules) may warrant disclosure of detailed information.*	• Samples are yet to be analyzed by laboratory analysis. • Slingram Moving Loop Electromagnetic data collected at 0.25 and 0.5 Hz. 200m loops 100m station spacing
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg 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).*	• IRRDD002 Reverse circulation pre-collar to 120m. NQ diamond drilling(47.6mm) to end of hole at 261.5m • IRRDD004 Reverse circulation pre-collar to 120m. NQ diamond drilling(47.6mm) to end of hole at 290m • Drill collars are surveyed using hand-held GPS (+/- 2 metres horizontal accuracy). Oriented with compass and inclinometer. Holes surveyed with downhole gyroscope.
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.*	• 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

Criteria	JORC Code explanation	Commentary
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 techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *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.*	• The core is yet to be cut for laboratory sampling. Diamond core will be cut in half and sampled over intervals of 1 metre or less. • Duplicates, blanks and standards will be submitted for analysis for quality assurance and control.
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 and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Samples are yet to be prepared or assayed. • Duplicates, blanks and standards will be submitted for analysis for quality assurance and control. • Full QAQC system in place to determine accuracy and precision of assays • The sample sizes are considered to be appropriate to correctly represent the explored for mineralisation style
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data 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. • No assay data is reported
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*	• Drill hole collar locations were recorded using handheld GPS. Elevation values were in AHD RL and values recorded within the

Criteria	JORC Code explanation	Commentary
	used in Mineral Resource estimation. • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	database. Expected accuracy is + or – 2 m for easting, northing and 10m for elevation coordinates. Downhole surveys using an Axis north-seeking gyro with readings at surface and then approximately every 3m downhole. • The grid system is MGA_GDA94 (zone 50), local easting and northing are in MGA. • Topographic surface uses handheld GPS elevation data, which is adequate at the current stage of the project
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 compositing 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. • No sampling has been done at this stage
Orientation of data in relation to geological structure	• *Whether the orientation of 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 mineralised 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 broadly orthogonal to the modelled conductive plates.
Sample security	• *The measures taken to ensure sample security.*	• Samples are yet to be taken
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 licence to operate in the area.*	• Surveys were conducted within DM1 100% owned Exploration License E9/2303, E52/3650 and E51/1907 • All tenements are in good standing with DMIRS. DM1 is unaware of any impediments for exploration on these licenses

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td>Exploration done by other parties</td><td>Acknowledgment and appraisal of exploration by other parties.</td><td>The tenements have had very limited published or open file exploration work for magmatic nickel-copper-sulphide 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 was conducted by Aurora Minerals Ltd and is described in the prospectus downloadable from the companys' website</td></tr>
<tr><td>Geology</td><td>Deposit type, geological setting and style of mineralisation.</td><td>Mineralisation anticipated to be related to mantle-derived intrusives intersected by trending linear structures.</td></tr>
<tr><td>Drill hole Information</td><td>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 collar
elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar
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.</td><td><table><tr><th>Drillhole</th><th>Easting</th><th>Northing</th><th>Azimuth</th><th>Dip</th><th>Depth</th></tr><tr><td>IRRDD002</td><td>456900</td><td>7141400</td><td>90</td><td>65</td><td>261.5</td></tr><tr><td>IRRDD004</td><td>457075</td><td>7141250</td><td>90</td><td>70</td><td>318.5</td></tr></table></td></tr>
<tr><td>Data aggregation methods</td><td>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.
Where aggregate intercepts incorporate 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 aggregations should be shown in detail.
The assumptions used for any reporting of metal equivalent values should be clearly stated.</td><td>No assay results are reported</td></tr>
<tr><td>Relationship between mineralisation</td><td>These relationships are particularly important in the reporting of Exploration Results.
If the geometry of the mineralisation with respect to the drill hole</td><td>No relationship between the drilling and target sulphide mineralisation has been determined to date. Any reported intervals are "down hole" lengths</td></tr>
</table>

Criteria	JORC Code explanation	Commentary
widths and intercept lengths	*angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg '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 (eg 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.*	• DHEM of drill holes is planned. A full review of the results to date will be undertaken (once assay results have been received) prior to any future programs being planned.