

Quarterly Activities Report – Quarter ended 31 March 2023

Highlights

During the first quarter of 2023 the Company has continued work on its three key projects being:

Belele:

- Desert Metals drilling last year revealed that the Mingah Range Greenstone Belt does extend completely under shallow alluvial cover across the entire license. Heritage surveys have been completed and drilling is currently underway to test 15km strike of Carbar Shear Zone for both volcanogenic massive sulphide (VMS) and gold mineralisation.

Dingo Pass:

- Heritage survey, permitting and follow up drilling program on area immediately adjoining recent rare earth element discovery by Krakatoa Resources (ASX:KTA) which appears to trend onto Desert Metals' Dingo Pass license.
- Further testing of high conductance sulphide anomalies for nickel-copper-PGE mineralisation.

Innouendy:

- Definition and expansion of Desert Metals 100% owned rare earth element discovery.
- A significant program of leachability assays, ore characterisation and metallurgical testwork to further advance economic parameters for the rare earth project.
- Follow up drilling on recent significant PGE and nickel intercepts.

Belele Project

A 150-hole reconnaissance Program of Work (POW) drill program was approved at Belele to test a 15km zone of untested greenstone belt for gold and base metals within the Carbar Shear Zone (Figure 4). A heritage survey was completed with Native Title holders Wajarri Yamatji during Q1 in 2023. While substantial rain at the end of March in the project area delayed the start of the program, drilling is currently underway and progressing well.



Figure 1 Drilling on the Belele Project.



Figure 2 Neighbouring Station to the project area after rain event during the quarter

During the quarter the Company undertook field visits to several potential new gold projects related to the Belele project.



Figure 3. Drilling on the Belele Project

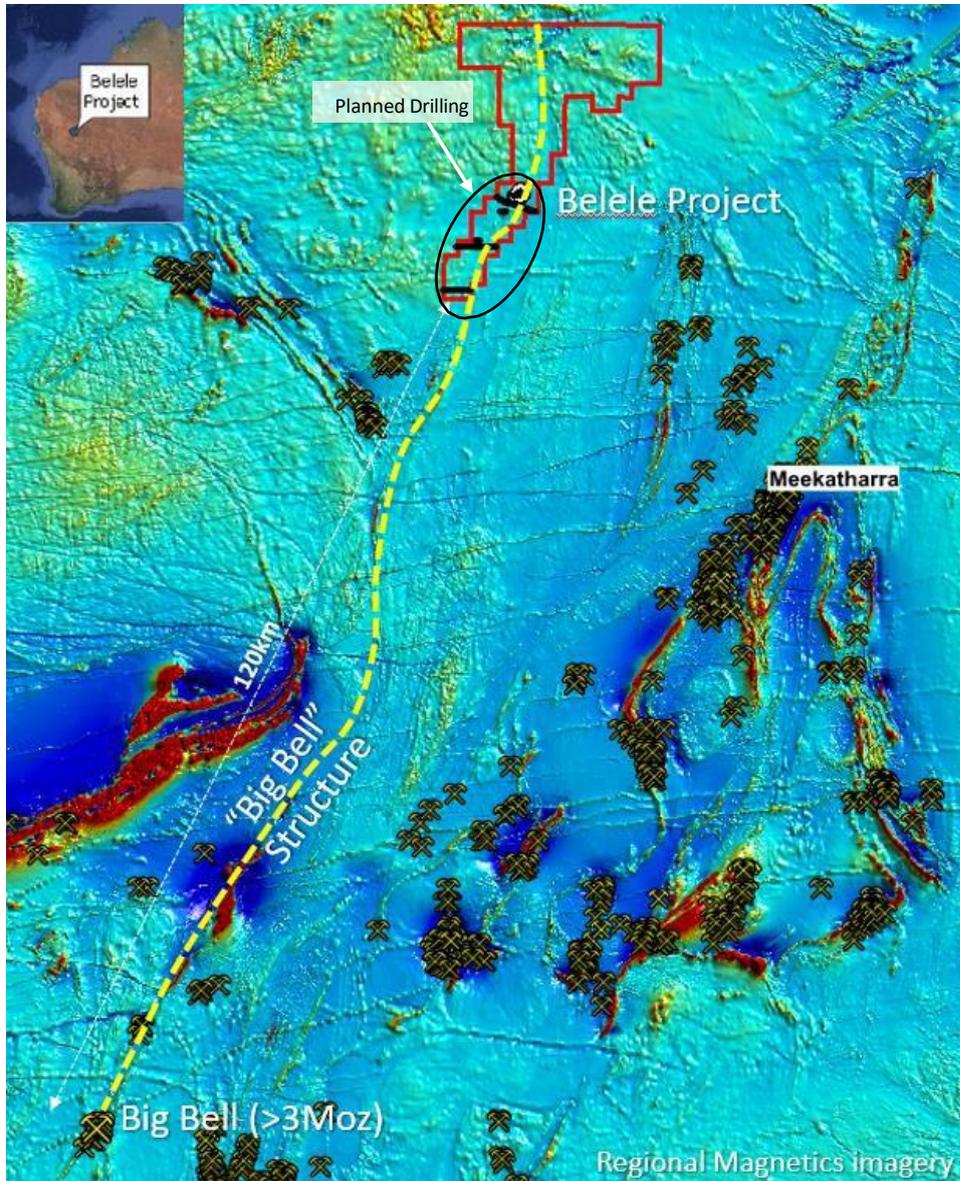


Figure 4. Belele Project relative to the Carbar Shear Zone (“Big Bell” Linear). Black dots are proposed drillholes

Dingo Pass Project –REE Prospect

The Heritage survey at Dingo Pass was not able to be completed during the quarter, although the Heritage crew has now been able to get in and commence their work. Drilling on this program is due to start once the rig is finished at Belele.

In November 2022 Krakatoa Resources reported a JORC compliant resource of 101Mt @ 840ppm TREO at their Tower prospect (ASX:KTA 21 November 2022). The eastern limit of the resource is truncated by the Dingo Pass tenement boundary, with remote sensing and radiometric data suggesting the REE mineralisation is likely to continue into the Dingo Pass Project (Figure 5).

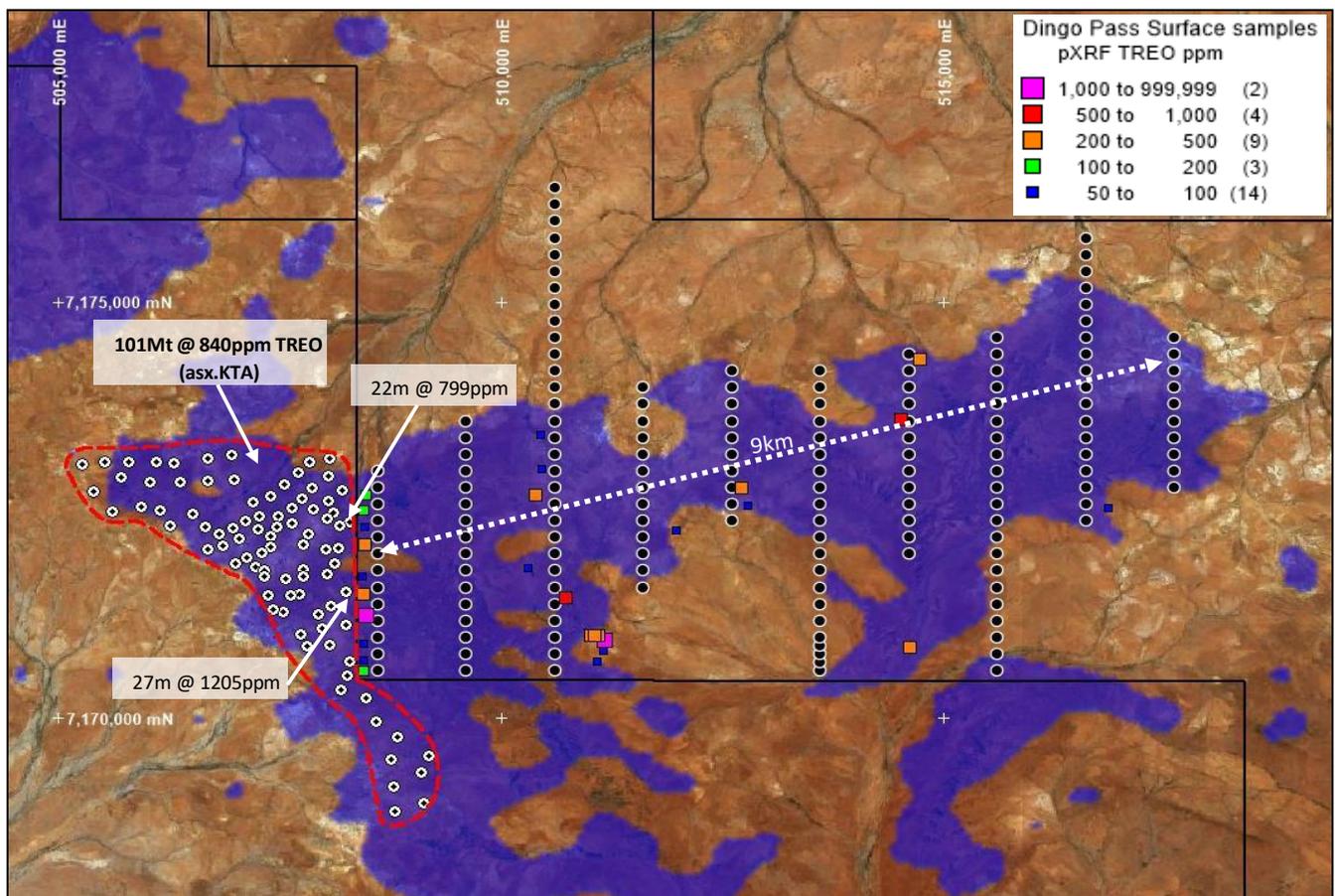


Figure 5. Dingo Pass Project, Tower REE Prospect – Planned Drilling (black dots). Background is Radiometrics (Inverse Potassium) over photo imagery. Reconnaissance Sample points shown

Field reconnaissance with a portable XRF tool by DM1 personnel last quarter has further confirmed the presence of elevated REEs within the Dingo Pass tenement east of the Tower deposit (Figure 6). Considering that Krakatoa’s defined resource does not typically outcrop at surface, these surface sample results are particularly encouraging.

Desert Metals plans to drill test a 9km long zone along strike to the east of the Tower deposit once the rig is finished at Belele. Mineralisation in the area is typically flat lying, shallow and hosted in the clay horizon which leads to relatively quick and inexpensive drilling campaigns.

Innouendy- Rare Earths

During Q4 2022 the Company received assay results for all outstanding samples from its 313 hole aircore drilling program at its recent Rare Earth Element discovery at Innouendy. During Q1 2023 the Company has been interpreting these results to develop an understanding of both the key geological controls to mineralisation and the likely volume of mineralisation present. The aim of this work is both to guide future exploration drilling and produce a JORC compliant Resource. The viability of any future Resource will be determined not only by size and grade but also by being able to define an economically viable method for extracting the REEs to produce a saleable product. To this end the Company has commenced preliminary metallurgical testwork, with first results expected next quarter.

All indications are that the REE mineralisation at Innouendy is vast. Work in this and future quarters will focus on identifying and developing the highest, most easily recoverable grades into volumes that might become a Resource. The majority of drilling to date has been within the weathered clay layer but the paleochannels identified from Company airborne EM data remain largely untested. It remains the Company's hypothesis that these channels represent the most significant untested part of the Innouendy REE discovery and offer potential for both high grade and volume, as well as easily recoverable mineralisation.

Permitting requirements have delayed follow up drilling at Innouendy while the Company focuses on drilling at Belele and Dingo Pass. The Company is optimising its drill program based on the results of both geological modelling and metallurgical recovery work.

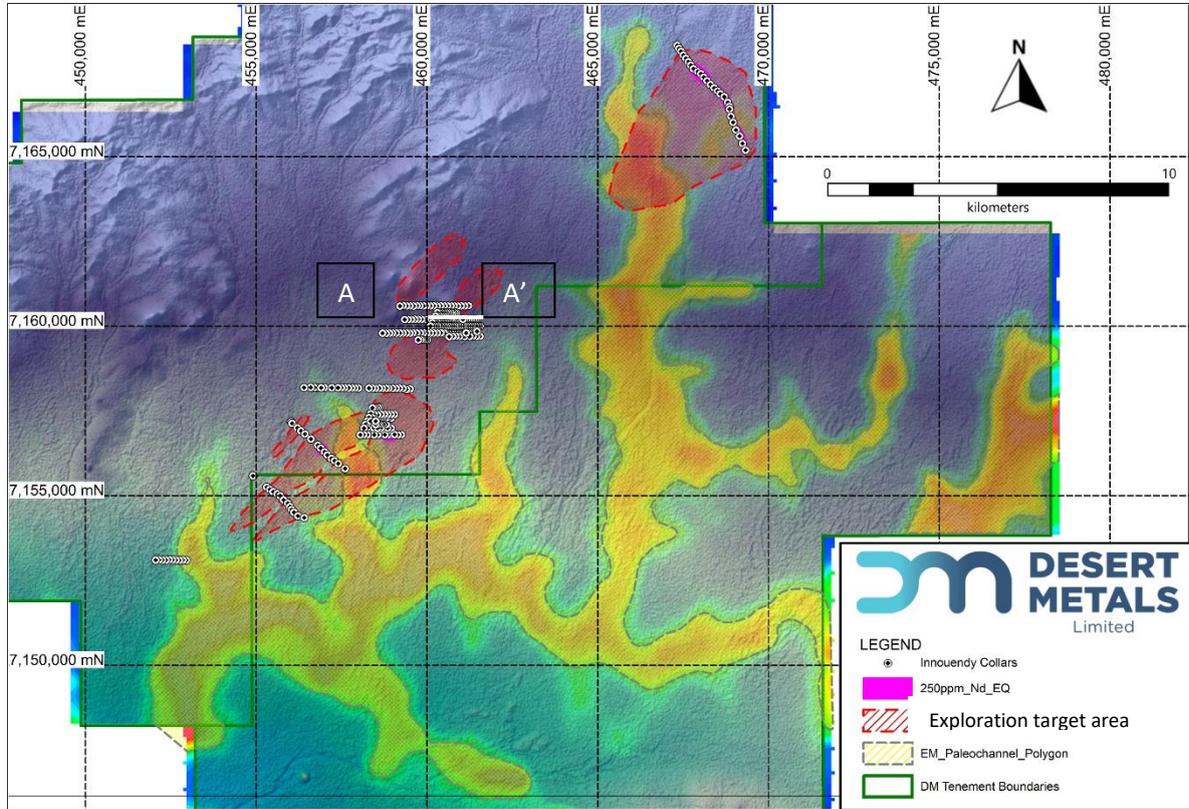


Figure 6. Current Innouendy drilling. Background image topography overlain by interpreted paleo channel from airborne EM. Mineralisation has the potential to extend over a large volume.

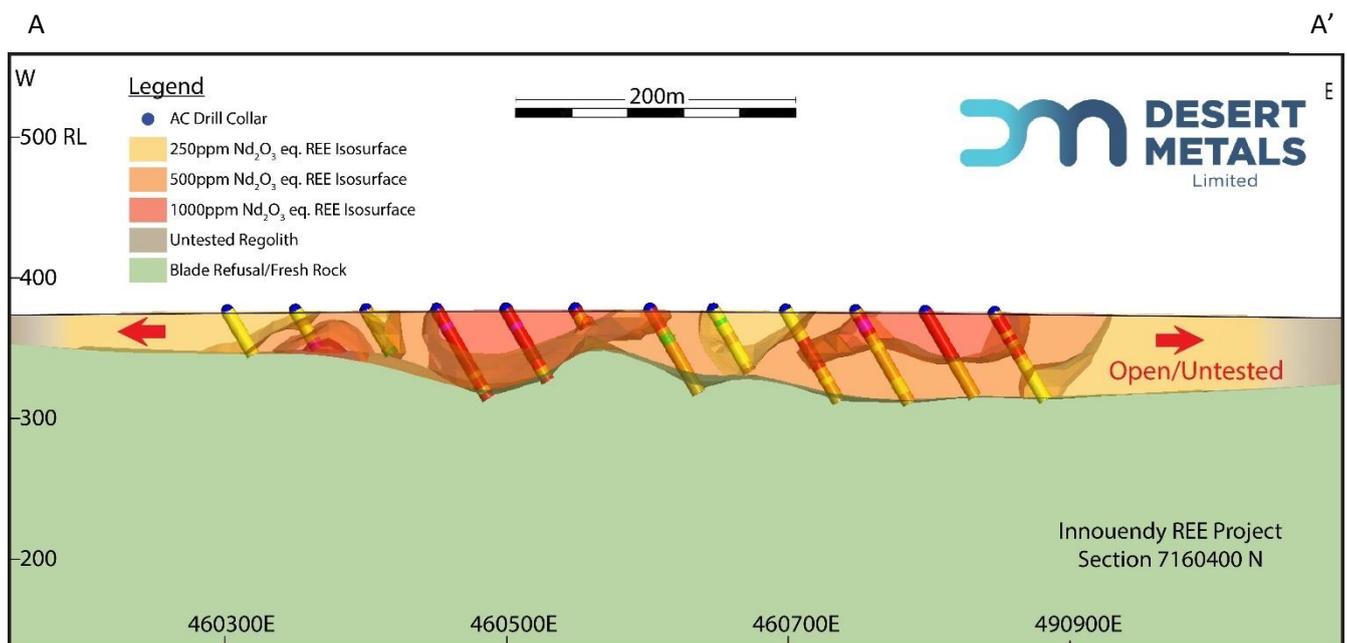


Figure 7 Section through Innouendy Main Zone

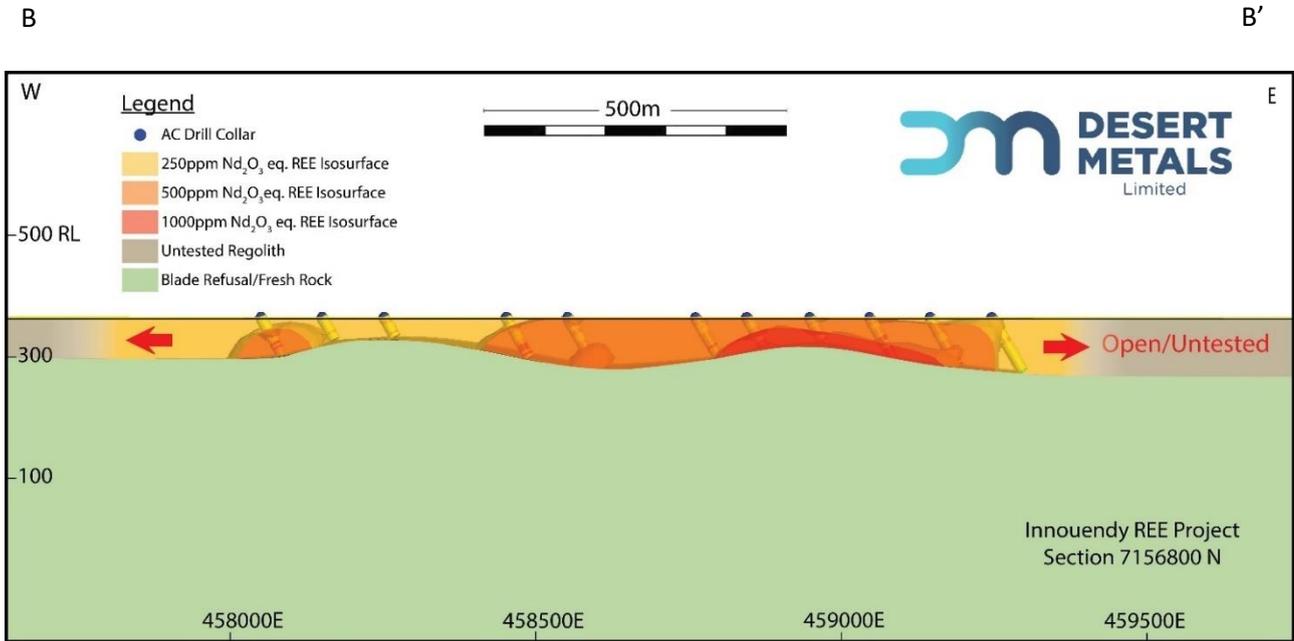


Figure 8 Section through Cattle Yard Prospect

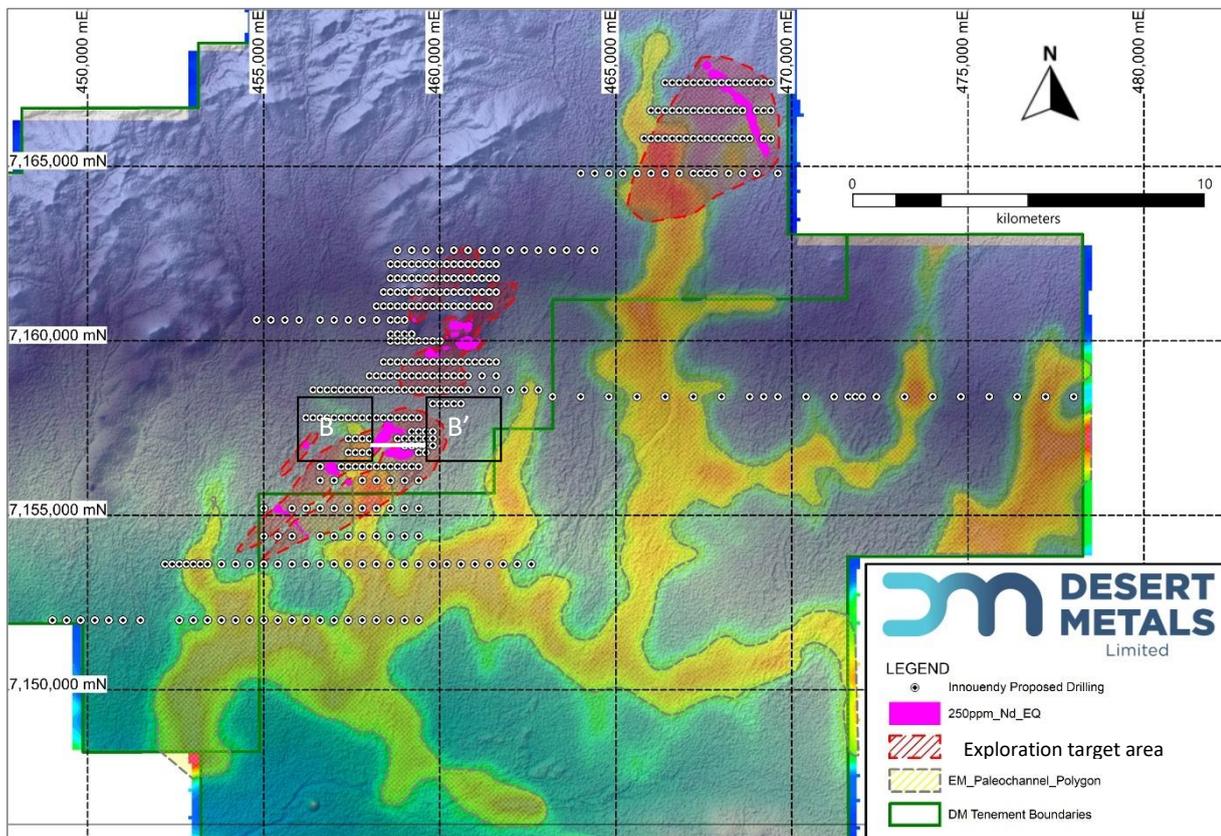


Figure 9 Planned Innouendy drilling. Background image topography overlain by interpreted paleo channel from airborne EM. Mineralisation has the potential to extent over a large volume.

Table 1. Conversion factors to calculate Nd₂O₃ Equivalent from ppm in Figures 6-9

CeO ₂	Dy ₂ O ₃	Er ₂ O ₃	Eu ₂ O ₃	Gd ₂ O ₃	Ho ₂ O ₃	La ₂ O ₃	Lu ₂ O ₃	Nd ₂ O ₃	Pr ₆ O ₁₁	Sm ₂ O ₃	Tb ₄ O ₇	Y ₂ O ₃	Yb ₂ O ₃	Sc ₂ O ₃
0.0103	3.1586	0.3655	0.2690	0.5034	1.0138	0.0095	7.9310	1.0000	0.9172	0.0241	18.00	0.0828	0.131	8.7828

Recovery from Acid Leaching

This quarter the Company has proceeded into an expanded program of ore characterisation and metallurgical test work to further advance economic parameters for the rare earth project. Results from this work have not yet been received from the lab but are expected to be imminent.

Tenement Status

The Company confirms that all of the Company's tenements remain in good standing and that the Company has not acquired additional tenements or disposed of any tenements during the quarter. The Company further confirms that as at the end of the quarter the beneficial interest held by the Company in the various tenements has not changed. Details of the tenements are set out in Annexure 1.

Payment to Related Parties

The Company advises that payments to related parties of \$139,718 included Directors' fees, legal fees, CEO and executive management fees and consulting fees for geophysical and geological interpretation.

Summary of Exploration Expenditure

In accordance with ASX listing Rule 5.3.1 the Company advises the cash outflows on its mining exploration activities reported in 1.2(a) of its Appendix 5B for the March 2023 quarter are as follows: Exploration: \$255,669.

Authorised by the Board of Desert Metals Limited.

For further details please contact:

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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 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. 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.

Corporate Information

Company Secretary

Paul Heatley

Forward shareholder enquiries to

Automic Group

Tel: 1300 288 664

Web: investor.automic.com.au

Issued Capital

As at the date of this report the total fully paid ordinary shares on issue were 72,441,078.

Annexure 1 - Tenement Information

In accordance with listing rule 5.3.3, the table below shows the interest in tenements held by the Company.

TENID	TYPE	TENSTATUS	Ownership	HOLDER
E 0902303	EXPLORATION LICENCE	LIVE	100%	DESERT METALS LIMITED
E 0902330	EXPLORATION LICENCE	LIVE	100%	DESERT METALS LIMITED
E 0902331	EXPLORATION LICENCE	LIVE	100%	DESERT METALS LIMITED
E 0902351	EXPLORATION LICENCE	LIVE	100%	DESERT METALS LIMITED
E 5101901	EXPLORATION LICENCE	LIVE	100%	DESERT METALS LIMITED
E 5101907	EXPLORATION LICENCE	LIVE	100%	DESERT METALS LIMITED
E 5203650	EXPLORATION LICENCE	LIVE	100%	DESERT METALS LIMITED
E 5203665	EXPLORATION LICENCE	LIVE	100%	DESERT METALS LIMITED
E 5203741	EXPLORATION LICENCE	LIVE	100%	DESERT METALS LIMITED
E 5102083	EXPLORATION LICENCE	PENDING	100%	DESERT METALS LIMITED

Appendix 5B

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

Name of entity

Desert Metals Limited

ABN

84 617 947 172

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(256)	(2,333)
(b) development	-	-
(c) production	-	-
(d) staff costs	(59)	(168)
(e) administration and corporate costs	(110)	(470)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received	102	310
1.7 Government grants and tax incentives	34	166
1.8 Other (provide details if material)	1	4
1.9 Net cash from / (used in) operating activities	(288)	(2,491)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	(1)	-
(c) property, plant and equipment	(30)	(40)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(31)	(40)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	27	2,527
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(165)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	27	2,362

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,137	3,014
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(288)	(2,491)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(31)	(40)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	27	2,362

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,845	2,845

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,845	3,137
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,845	3,137

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	140
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(288)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(288)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,845
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	2,845
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	9.87
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Not applicable	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Not applicable	

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

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

Answer: Not applicable

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

Compliance statement

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

Date: 28 April 2023

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

Notes

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