Quarterly Activities Report – Quarter ended 30 June 2022

Highlights

- Additional analyses now received from recent reconnaissance drilling at the Innouendy project have confirmed significant clay hosted Rare Earth Element (REE) intercepts close to surface.
- Excellent metallurgical results showed that the rare earths are easily leached with >80% recoveries in the high-grade zones and which confirm the economic significance of the intercepts.
- An approximately 20,000m program of Aircore and RC drilling is currently underway at Innouendy to:
  - test the extent of the shallow, high-grade clay hosted REE's across a significant footprint; and
  - follow up recent promising nickel and platinum-palladium (PGEs) intercepts, including 4m @1.76% nickel from 28m within a 12m zone @1.17% nickel from 24m.
- Assay results from Belele confirm the extension of copper mineralisation downdip.
- Seven RC holes completed targeting high-conductance anomalies at Dingo Pass.
- A WA state government Exploration Incentive Scheme (EIS) grant of $180,000 has been awarded to drill test the extent of mineralisation at Belele.

Innouendy Project

Assays and analyses received during the quarter have identified that the Innouendy project contains highly anomalous nickel, chrome, PGEs and Rare Earth Elements which are currently being followed up with an extensive aircore and RC drilling program.

Diamond drilling by Desert Metals in 2021 intersected pyrrhotite dominated magmatic sulphides in mafic intrusive rock and highly anomalous PGEs coincident with high chrome within a weathered ultramafic unit. Last quarter a 49 hole aircore program tested PGE anomalism to the base of weathering as well as following up on a number of airborne electromagnetic (EM) anomalies. Most of the holes encountered mafic or ultramafic rock undercover across a 10km wide zone, suggesting a large volume of mafic/ultramafic rocks are present on the Craton margin in this part of the Narryer Terrane.

Analyses from this program have confirmed significant, thick and high-grade rare earth mineralisation. Results from these analyses have confirmed intercepts of REE's over 20m thick from near surface along line 7160200N (Figure 1). These intercepts continue within holes along line 7159800N which is 400m to the south (Figure 2). Encouragingly, 8m thick intercepts of greater than 1100ppm TREO are still encountered at the Cattle Yard nickel prospect ~4km to the southwest, suggesting potential for significant lateral extent to the clay hosted mineralisation.

Importantly, recent metallurgical test work by both Lithium borate fusion and weak acid (Aqua Regia) digest, confirmed excellent recoveries and demonstrated the clay hosted rare earths are easily leachable. Recoveries

were particularly good (>80%) for the high-grade zones of high value REE's (ASX:DM1 15 June 2022) and confirm the economic significance of the thick high-grade intersections.

With only sparse reconnaissance holes drilled in the initial program, the Company is excited about the potential exploration upside at the Project. An extensive follow up infill drilling program has commenced, with both aircore and RC rigs currently onsite at Innouendy. The program will test the extent of the shallow, clay hosted REE mineralisation and also follow up on previously announced nickel intercepts (up to 1.76% Ni. ASX:DM1 23 May 2022). The aircore program has been planned with sufficiently close hole spacings to allow, if consistent grades and widths are intercepted, for the Company to work towards defining an inferred resource.

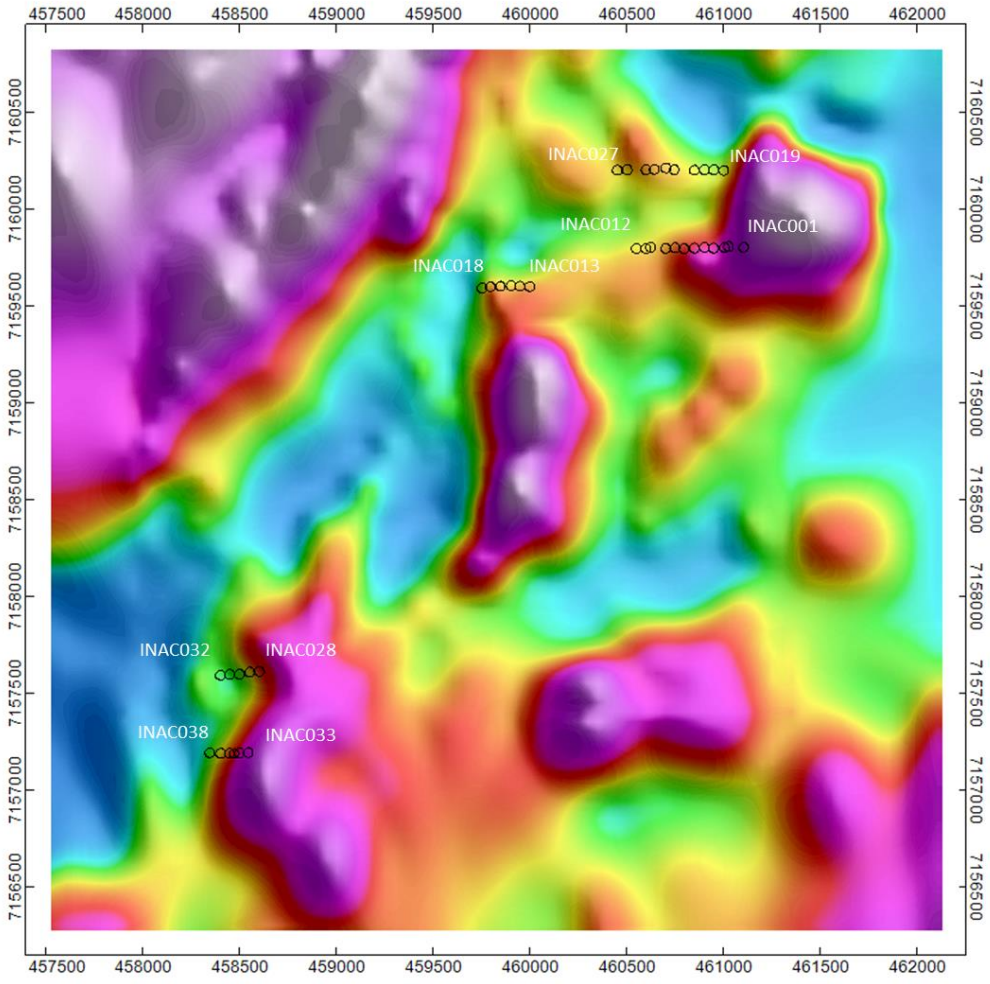
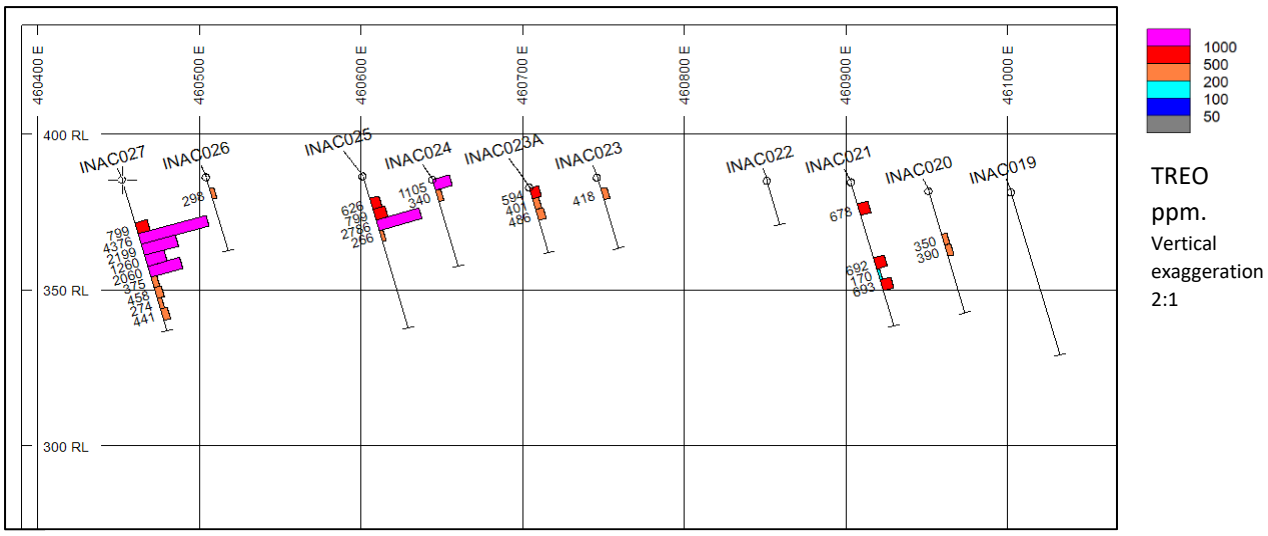
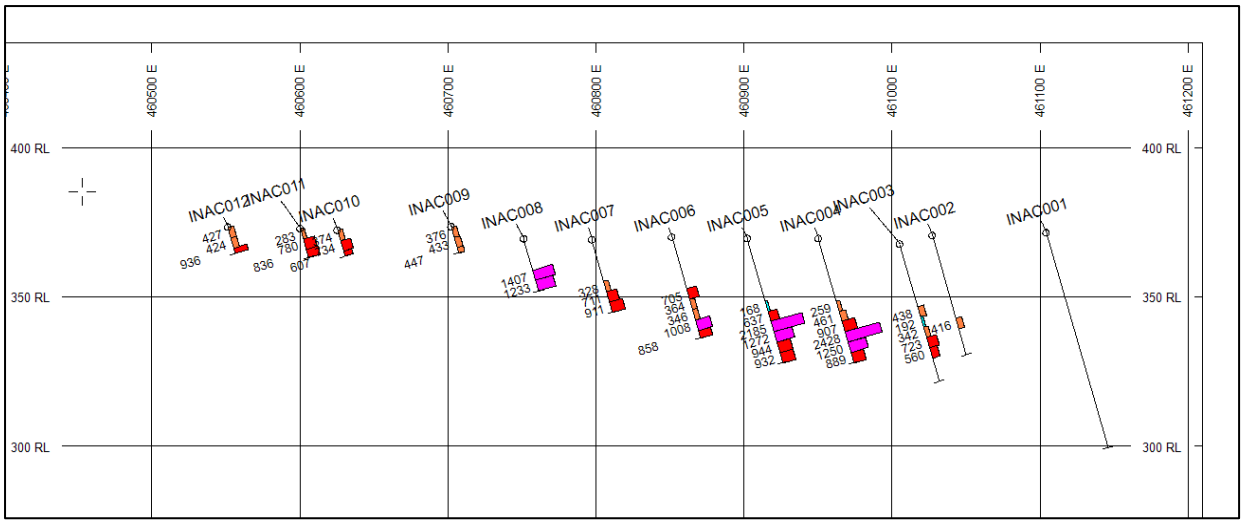


Figure 1 *Location of aircore holes at Innouendy. Background image magnetic RTP.*

Section Line 7160200N TREO. Not all samples analysed. Samples are 4m composites



Section Line 71590800. TREO. Not all samples analysed. Samples are 4m composites



Section Line 71590800. TREO. Not all samples analysed. Samples are 4m composites

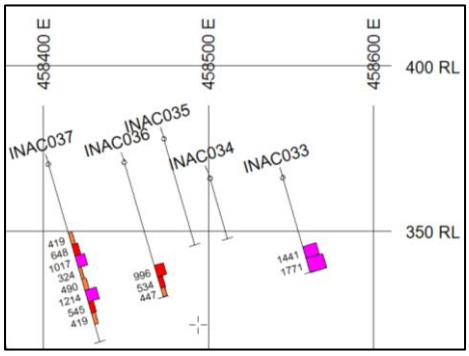


Figure 2 *Sections of TREO from aircore drilling at Innouendy. Only selected samples were analysed. These results are encouraging and confirm the thickness of mineralisation. The current infill drilling program at Innouendy will define whether the mineralisation has the lateral continuity to define a resource.*

Belele

There are no rocks outcropping on the Belele license. The surface consists of recently deposited flood plain sediments that have no geochemical association with the basement rocks below. Purely conceptual geological targeting led Desert Metals to initially consider that these basement rocks could be an extension of the Mingah Range Greenstone Belt and hence be prospective for either shear zone hosted (orogenic) gold or volcanogenic hosted massive sulphide (VMS) base metal deposits. Desert Metals staked the vacant ground, collected airborne electromagnetic data over the license and interpreted a feature within these data as a potential basement conductor. Basement conductors can sometimes have a metallic source and such a source can also contain ore minerals.

During the previous quarter the Company drilled 4 holes into the modelled conductor to test:

a) Whether the Mingah Range Greenstone Belt was present beneath the cover sediments
b) Whether the feature identified in airborne EM was caused by a metallic conductor and accurately modelled
c) If metallic, whether the conductor contained ore minerals

The first 4 holes positively confirmed all the above. Both the presence of the greenstone belt and that a metallic conductor containing ore minerals had been accurately modelled. Identifying that the greenstone belt extends undercover is significant because it means the license contains ~20km strike length of new, unexplored, and prospective greenstone. The copper sulphide mineralisation is significant because if a thicker higher-grade zone is associated with it, it may be economic.

During the second quarter 2022 an additional 5 RC holes were completed at Belele to test the extents of copper mineralisation intersected during the first quarter. Holes were targeted from existing EM data. Assays received from these holes confirm that mineralisation extends to a depth of over 400m and that modelling of electromagnetic data is predicting the location of mineralisation accurately. Copper grades intersected in the single deep hole to date (BRC008), however, were not significantly greater than those intersected by BRC003 and BRC004. Further testing of this blind mineralisation for any higher grade or wider intersections will be done after downhole EM is collected on select holes to pinpoint any thicker zones within the modelled EM plate.

A Western Australian state government Exploration Incentive Scheme (EIS) grant of $180,000 has been awarded to drill test the extent of mineralisation at Belele. EIS is a competitive program which offers up to 50% of costs for exploration projects that can demonstrate an innovative, thorough, and geo-scientifically logical approach to targeting. This is the third grant awarded to Desert Metals' projects and takes the total funding provided by the scheme in the last 18 months to $480,000. Winning these grants makes a significant contribution to the drilling budget. Ultimately these funds allow the Company to test more targets without using shareholders' money and hence increase the odds of discovery.

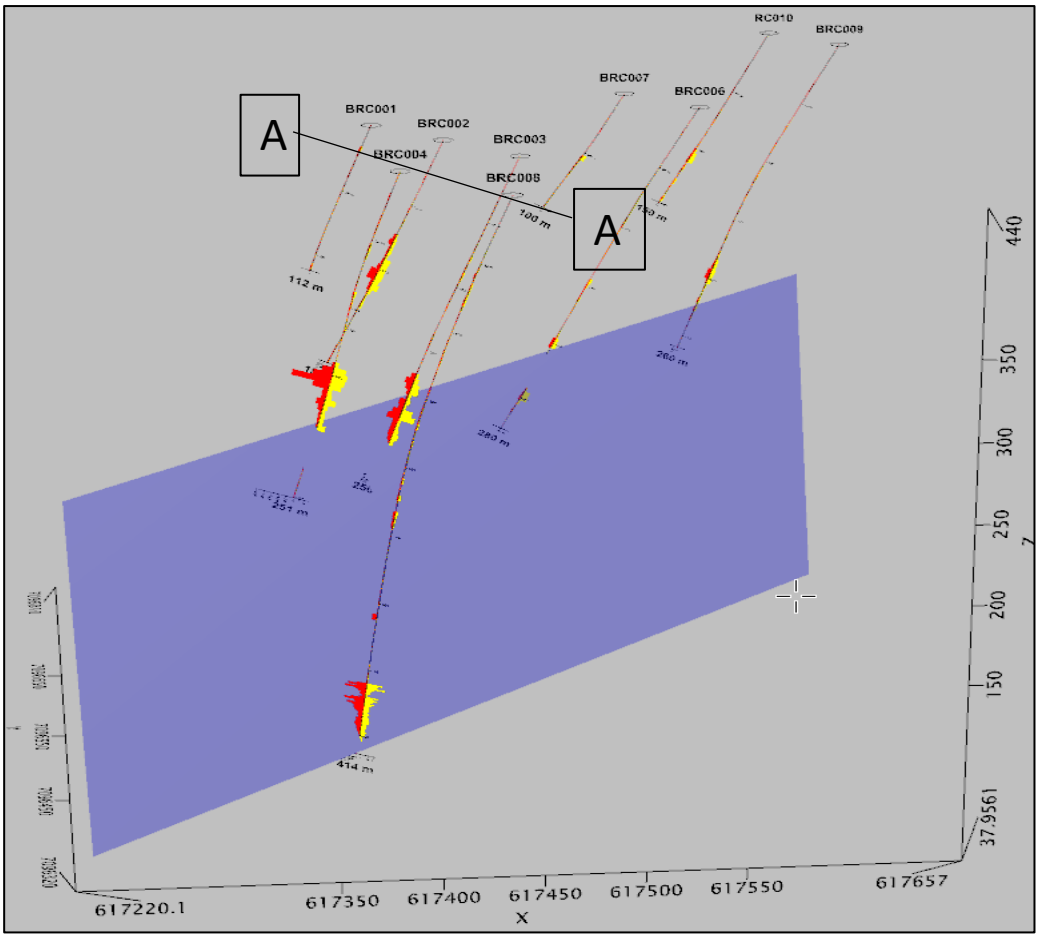


Figure 4 *3D view looking North at Belele. The conductive plate modelled from EM data is shown in purple. Copper intercepts in red, sulphide in yellow. There is a good correlation between the location of then modelled plate, sulphide mineralisation and copper grade. Downhole EM will be collected on several holes to determine if there is a more conductive and hence possibly higher-grade zone within the plate. Section A – A` shown in Figure 5.*

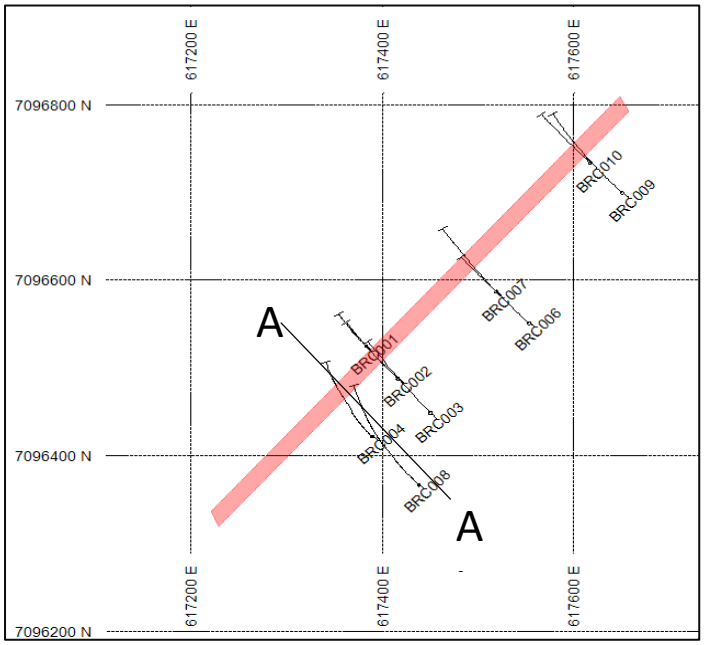
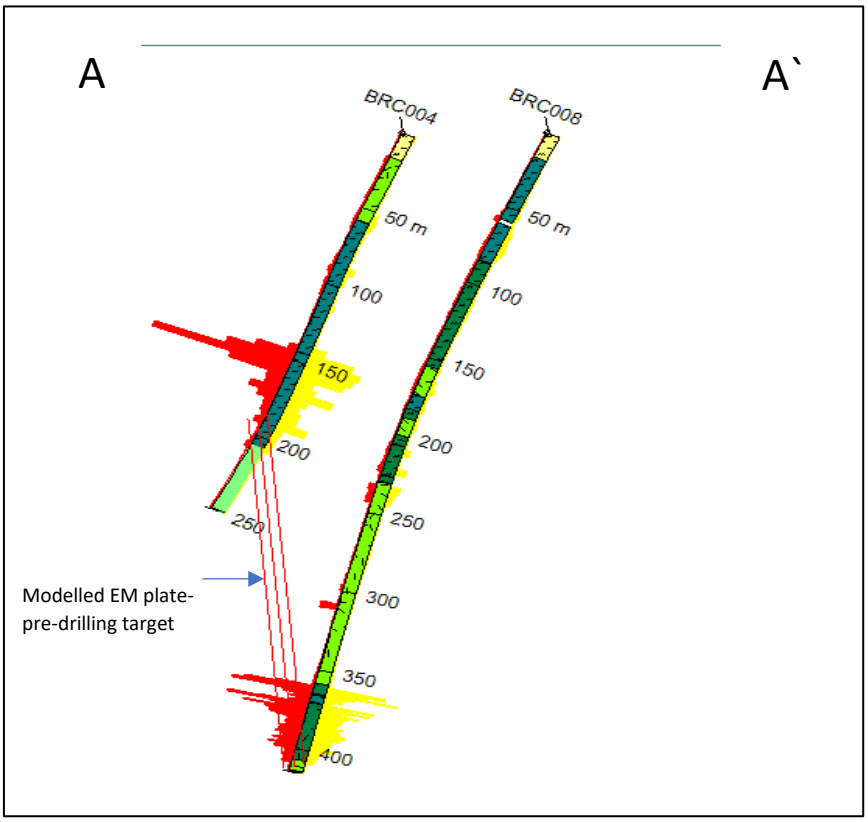


Figure 3 *Plan view Belele Drilling. Holes are collared to the southeast and drilled to the northwest to intersect the modelled conductor. There is a very good correlation between the interpreted conductor and copper mineralisation. Down hole EM will help determine if there are more conductive and hence potentially thicker higher grade zones within the mineralisation.*



Hole 4 significant intersection

44m @ 0.14% Cu, from 140-184m, incl

12m @ 0.32% Cu, from 148-160m, incl

4m @ 0.51% Cu, from 152-156m

200ppm lower cut-off

Hole 8 significant intersection

40m @ 0.11% Cu, from 360-400m, incl

21m @ 0.14% Cu, from 360-381m

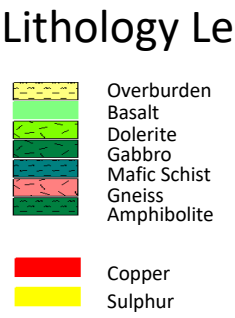


Figure 5 *Section A-A`*

Dingo Pass

During the quarter seven RC holes were drilled at Dingo Pass testing the very high conductance anomalies identified in ground and airborne EM. 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.

The drilling completed has in most cases not intersected sufficient quantities of sulphides to explain the conductors. This means the targets are untested and still “live”. Downhole EM scheduled for August will now be used to define the conductor’s location and guide follow-up drilling more precisely.

Several holes, particularly at the Dome and Komatiite prospects, did intersect metamorphosed mafic intrusions with traces of disseminated copper (Cu) and nickel (Ni) bearing sulphides, which provides encouragement that the conductors may be Ni-Cu massive sulphides.

Based on the drill results, the Company now infers that the targeted host intrusions have been deformed and metamorphosed. In other Ni provinces where this is the case, such as the Thomson Belt in Manitoba, Canada, the sulphides are often reworked into fold hinges and other structurally complex positions. This makes their

associated conductance difficult to model and would explain the relative lack of success in intersecting the targeted conductors on the first pass.

The Dingo Pass program is being co-funded by the State Government Exploration Incentive Scheme (EIS) with a grant of $150,000. The EIS directly supports explorers in Western Australia through a competitive program which offers co-funding to innovative exploration drilling projects.

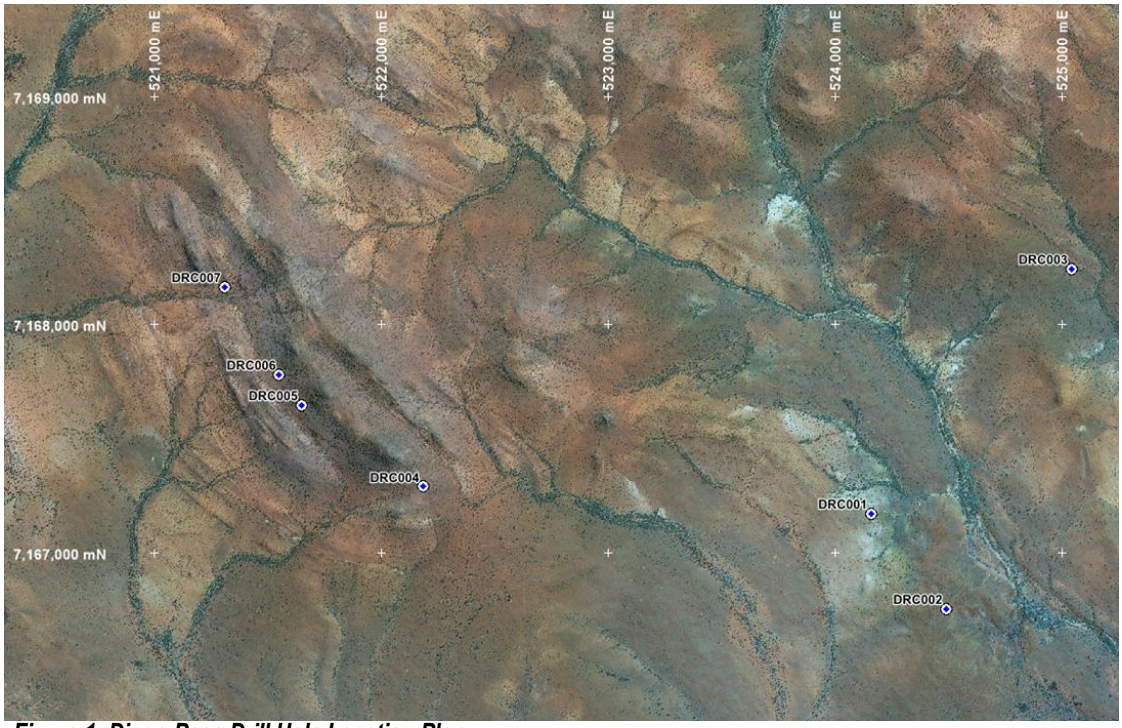


Figure 1: Dingo Pass Drill Hole Location Plan.

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 $198,439 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 June 2022 quarter are as follows:

Exploration: $870,875

Finance and Use of Funds

Pursuant to ASX listing rule 5.3.4, the Company provides a comparison of its actual expenditure against the estimated expenditure on items set out in section 5.5 of the Company's Prospectus:

Activity Description	Funds Allocated	Actual to Date
Exploration (2 years)	$4,774,202	$4,596,431
Administration (2 years)	$1,000,000	$601,105
Expenses of the offer	$494,148	$557,435

Authorised by the Board of Desert Metals Limited.

For further details please contact:

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Technical Director

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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

At the end of the quarter Johnathon Busing resigned as Joint Company Secretary. Paul Heatley remains as Company Secretary.

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 63,181,818.

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