ASX CODE: DM1

BOARD:
Mr Mark Stewart
Chairman

Dr Robert Stuart
Managing Director

Mr Tony Worth
Technical Director

Mr Keith Murray
Non-Executive Director

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Quarterly Activities Report – Quarter ended 31 March 2022

Highlights

- **VMS-style copper sulphide mineralisation identified at Belele**
- **Two new nickel prospects at Innouendy**
- **RC drilling program begun to test high conductance anomalies at Dingo Pass**

The first quarter of 2022 has seen the Company begin an extended phase of target testing. Drill testing is continuing this quarter and has so far produced encouraging results at Belele, Innouendy and Dingo Pass. The Company has identified a previously unknown new copper system at Belele, has uncovered two significant new nickel prospects at Innouendy and is waiting for assay results to determine the significance of highly anomalous rare earth intersections.

Desert Metals Limited ("Desert Metals" or the "Company") is pleased to provide the following report on its activities for the quarter ended 31 March 2022.

Belele

On 21 January 2022 the Company began a reverse circulation drilling program on its 100% owned Belele license to test for the presence of the Mingah Range Greenstone Belt under cover and to discover the source of a conductor within this belt. Desert Metals originally considered the project prospective for either shear zone hosted (orogenic) gold or volcanogenic hosted massive sulphide (VMS) base metal deposits (DM1 ASX release 30 November 2021). Four of the initial five holes intersected a zone of 5-15% pyrrhotite-pyrite-(+/- trace chalcopyrite) mineralisation. The sulphidic zone is coincident with strong to intense potassic alteration and shearing.

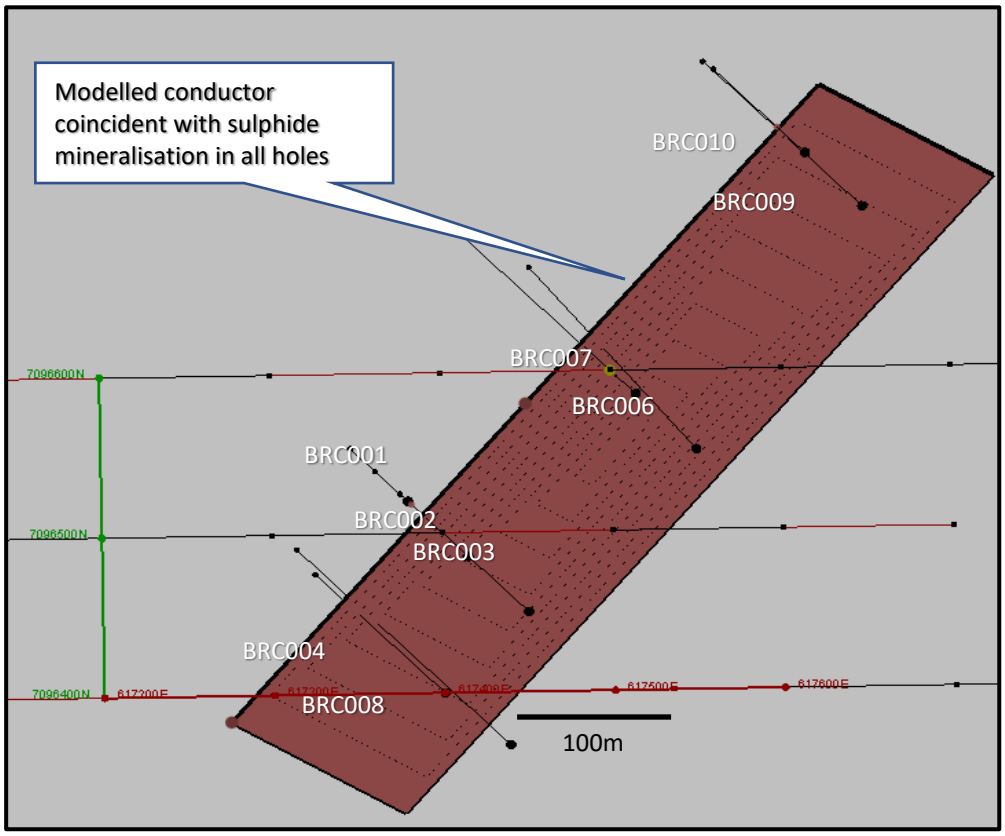

Figure 1. Belele plan view showing drill collars and traces with modelled conductor

Copper, lead, silver and zinc metal zoning in assays from holes BRC001, BRC002, BRC003 and BRC004, suggested that the sulphide intersections represent the periphery of a zoned VMS system. The copper values correlate strongly to sulphide intensity, with the conductivity (a direct proxy for sulphide intensity) modeled to be increasing with depth. A further five RC holes were completed confirming that the sulphide mineralisation extends over at least 450m strike length (extent of the conductor modelled from surface). A deep hole (BRC008) underneath hole 4 has confirmed the intensity of the sulphides and copper increase with increasing depth and that mineralisation extends to a depth of at least 400m. Visual estimates, supported by handheld XRF analysis suggest a higher-grade copper intersection than intersected in hole BRC004. Further work is planned once assays for the recent holes have been received.

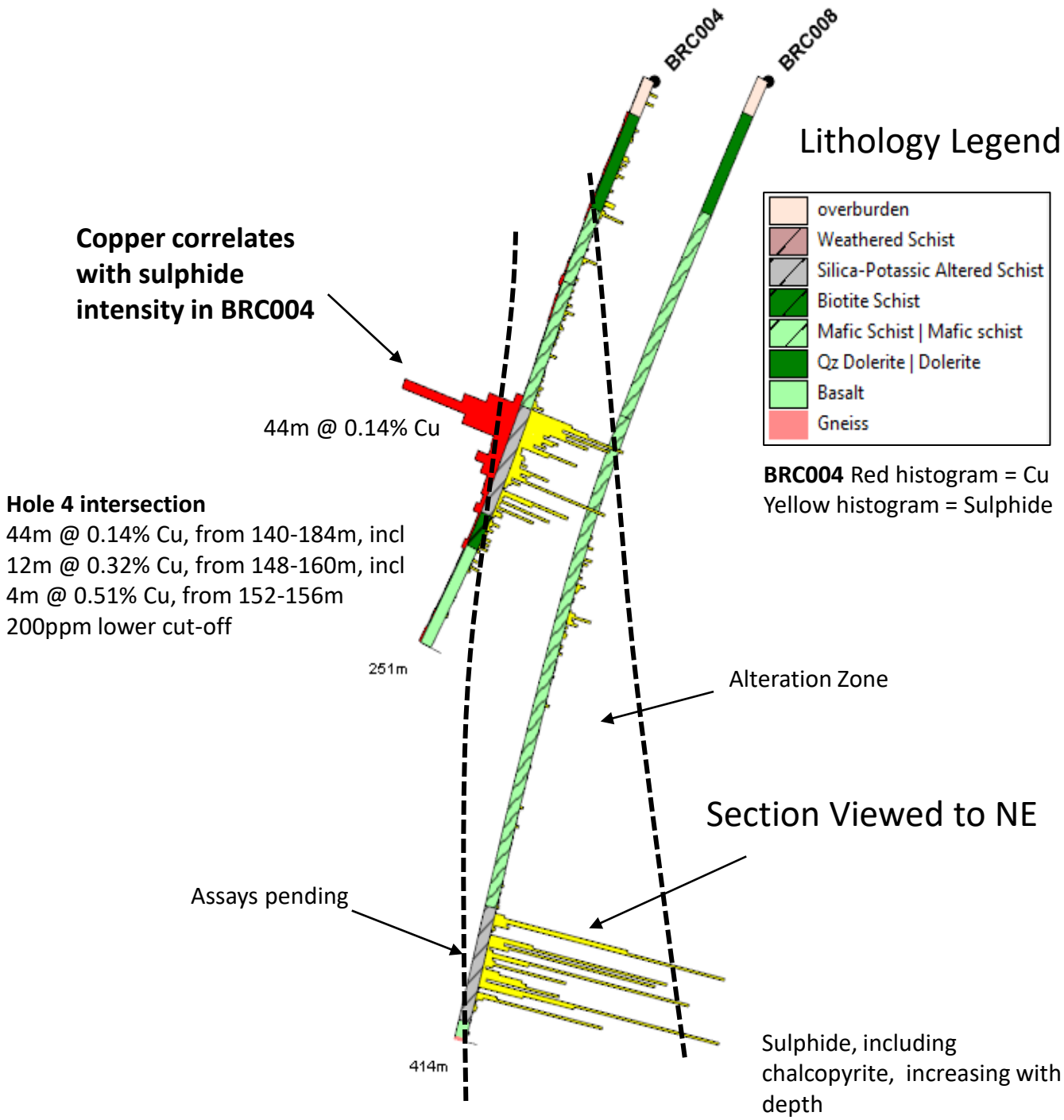

Figure 2. NW-SE cross section of southernmost drilling at Belele.

Innouendy Project

The Innouendy project was initially drilled in 2012 by a previous explorer attempting to intersect one of two conductors identified from airborne and ground EM data. Drilling intersected ultramafic intrusive rocks but no massive sulphides.

Three diamond holes were initially drilled by Desert Metals in 2021 each of which intersected pyrrhotite dominated magmatic sulphides in mafic intrusive rock. Assays for the most western of these holes (INRD008) returned 40m of highly anomalous PGEs coincident with high Chrome (Cr) within a weathered ultramafic unit. Within the 40m zone a higher-grade interval of 2m at 0.59g/t Pt+Pd and 1870ppm Cr was returned from 27-29m.

In January 2022 a 49 hole 1794m Aircore program was designed to test PGE anomalism to the base of weathering as well as following up on a number of airborne EM anomalies (DM1 ASX announcement 26 February 2021).

Most of the holes encountered mafic or ultramafic rock undercover and 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.

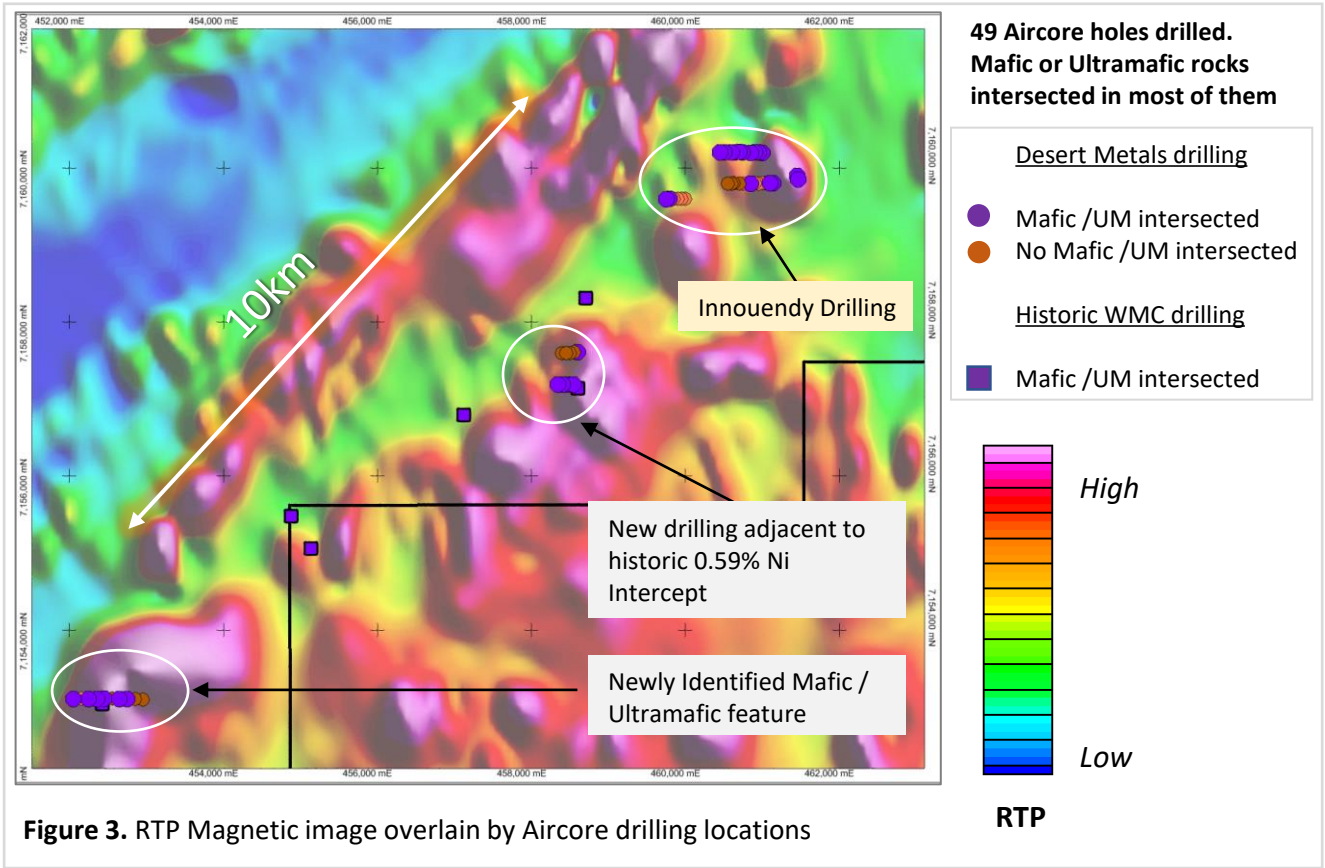

Figure 3. RTP Magnetic image overlain by Aircore drilling locations

New Nickel prospects

Assay results from the aircore drilling revealed two highly prospective new nickel prospects. 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.

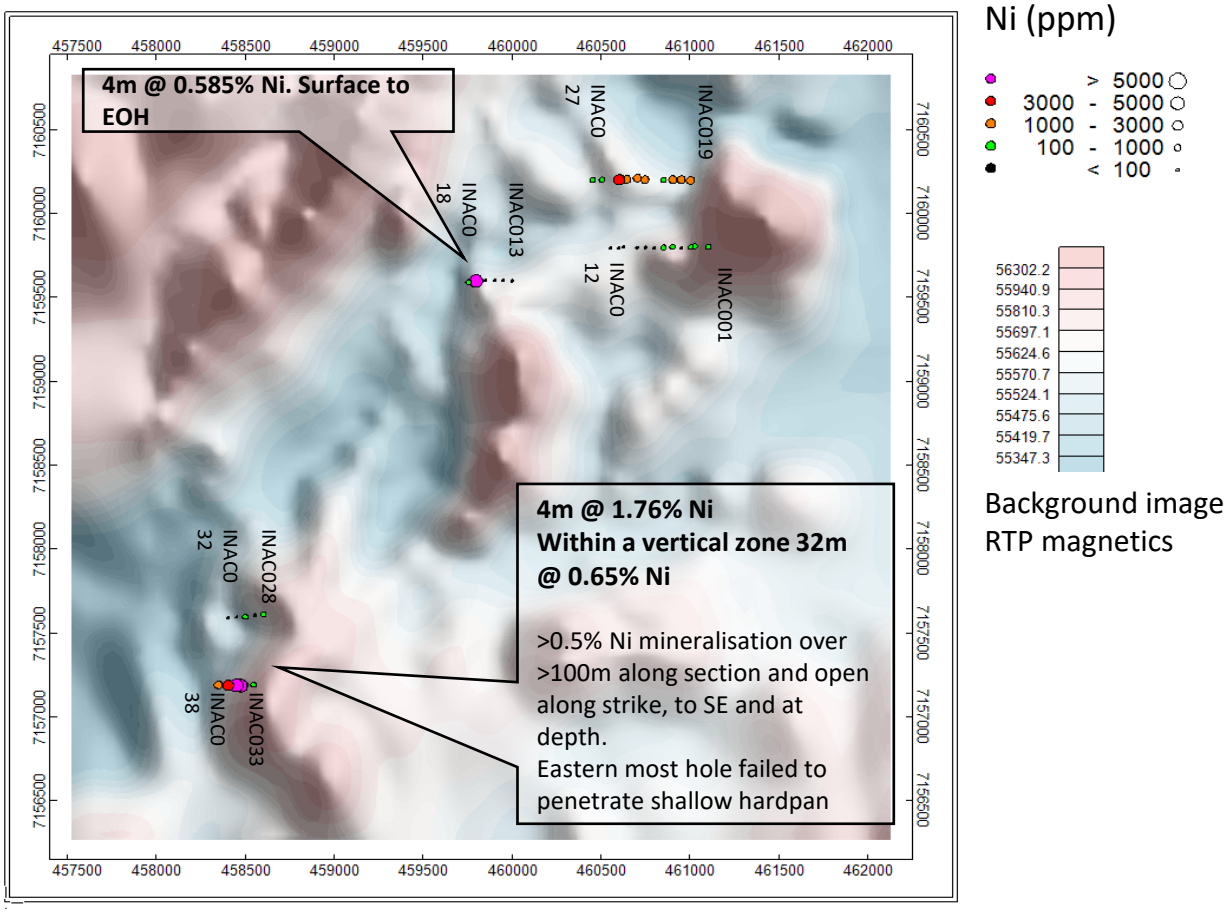

Figure 4. Maximum downhole Ni (ppm) over magnetics

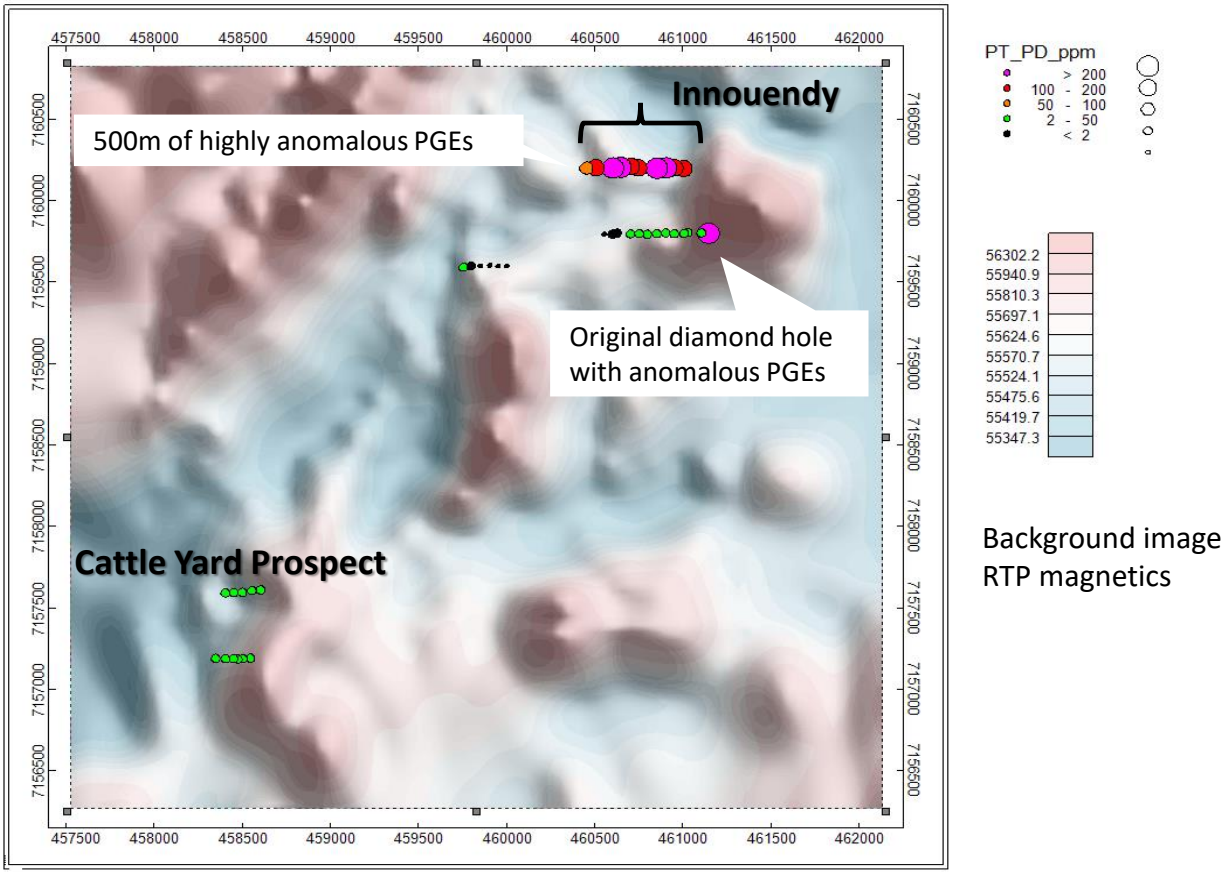

Figure 5. Maximum downhole PGE (Pt+Pd) (ppm) over magnetics RTP

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. 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.

Rare Earth Elements

Rare earth (REE) element 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

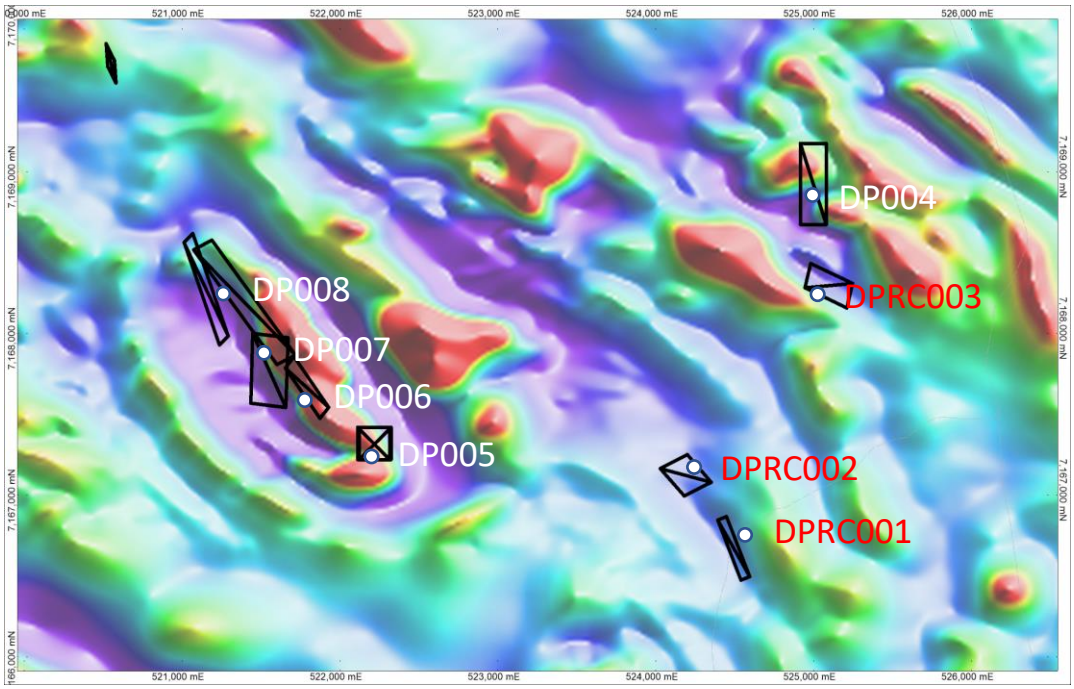

Figure 4a) modelled high conductance plates from ground EM over RTP magnetic data at Dingo Pass with proposed drill hole locations. White – holes yet to drill. Red – already drilled

A drill rig is currently on site at Dingo Pass testing 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.

Three holes have been completed east of the Dome at Dingo Pass targeting three separate conductors. Hole DPRC003 intersected a thick zone of mafic amphibolite with multiple narrow zones of minor sulphides, including traces of chalcopyrite and a nickel bearing sulphide (based on XRF spot analysis), however none of the zones contained sufficient sulphide content to explain the conductor. The conductive source and any potential massive sulphides remain undiscovered. Downhole EM is planned, and a second hole will target the conductive source.

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.

$2.7M PLACEMENT

In March 2022 the Company raised $2,700,000 via a placement from sophisticated and professional investors. Canaccord Genuity (Australia) Limited ("Canaccord") acted as sole lead manager to the placement. The Company's exploration strategy targeting new nickel, copper and PGE resources in the emerging Narryer terrane of Western Australia is well underway with the funds being principally directed towards exploration drilling that is currently in progress on three of the Company's main projects, being:

- Belele, where reverse circulation drilling this year has intersected a zone of volcanogenic massive sulphide (VMS) style mineralisation in multiple holes.
- Innouendy, where aircore drilling has identified a large zone of mafic rocks adjacent to anomalous PGE mineralisation and historic nickel anomalism.
- Dingo Pass, at which multiple very high conductance bodies lie beneath mapped mafic intrusive rocks, with coincident nickel, copper and PGE anomalism in soils on the craton margin.

Payment to Related Parties

The Company advises that payment to related parties of $155,954 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 2022 quarter are as follows:

Exploration: $572,278

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	$3,724,780
Administration (2 years)	$1,000,000	$ 506,265
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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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

Joint Company Secretaries
Paul Heatley & Johnathon Busing

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.

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