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 30 September 2021

- **Innouendy – Downhole electromagnetics (DHEM) completed on 3 holes. Platinum Group Elements (PGEs) detected in drilling and soils.**
- **Irrida Hill – 3 holes completed. Massive sulphide confirmed as the cause of the Irrida Hill conductors. DHEM completed on 3 holes.**
- **Moving loop Ground EM data collection completed over eastern licenses. Several high conductance targets defined.**
- **Heritage Agreement signed with Wajarri Yamatji to allow exploration to proceed in eastern licenses.**
- **Regional soil sampling survey begun.**

Desert Metals Limited ("Desert" or the "Company") is pleased to provide the following report on its activities for the quarter ended 30 September 2021.

Innouendy

The Innouendy project initially consisted of two EM plates detected on multiple airborne and ground EM surveys carried out by previous explorers. Previous explorers drilled 5 RC and one diamond hole attempting to intersect the easternmost of these conductors. Historic drilling intersected ultramafic intrusive rocks but no massive sulphides or explanation for the conductor was detected. The western conductor had not been drill tested.

Three holes were initially drilled by the Company at Innouendy last quarter, two into the eastern plate and one deeper hole into the western plate. Pyrrhotite dominated magmatic sulphides were intersected in mafic intrusive rock in all three holes.

Downhole EM

Downhole EM has been completed on holes INRD006 and INRD008 at Innouendy during the quarter (Figure 1). The excellent fit between the modelled response and observed data in all three geometric components gives confidence in the model. These data suggest there remains an untested conductor ~40m to the east of hole INRD008. Extension along the plane of this conductor intersects INRD008 at ~255m downhole. 40cm of massive sulphide was intersected in hole at 255m. It is reasonable to assume that hole IRRD008 has just clipped the extremity of the larger sulphide body.

DHEM data from hole INRD006 also shows both holes INRD006 and INRD007 intersecting the outside edge of a larger conductive sheet. In this case it is believed the main conductor has been intersected and the conductor is explained.

PGEs

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 2m of 0.59g/t Pt+Pd and 1870ppm Cr was returned from 27-29m.

The high chrome coincident with the PGEs has led the Company to re-rate the significance of a large (>2km strike length, up to 800m wide) chrome anomaly in historic soil geochemistry to the west of the drilling (Figure 1). The historic soil survey did not assay for PGEs.

Two orientation traverses of soil samples were taken to test for PGEs in soils. Recently received soil assays confirm a coincident PGE anomaly with the chrome and that both chrome and PGE values are significantly higher in recent drilling than in soils, as would be expected. The highest PGE values are on the western flank of the PGE/Cr anomaly, 400m west of the drilling. This western PGE anomaly is also coincident with a zone of more conductive rocks identified in airborne EM data and historic rock chip samples of up to 1290ppm Nickel (Figure 2).

The relatively anomalous soil PGE values may be highly significant and suggest that that the most prospective and potentially higher grade part of the Innouendy project may be 400m to the west of current drilling, where magmatic massive sulphides have been intersected in mafic intrusive rocks. They also suggest the primary target at Innouendy may be PGEs, where the highest grade is not necessarily associated with massive sulphide.

Desert intends to test this target with Aircore drilling initially.

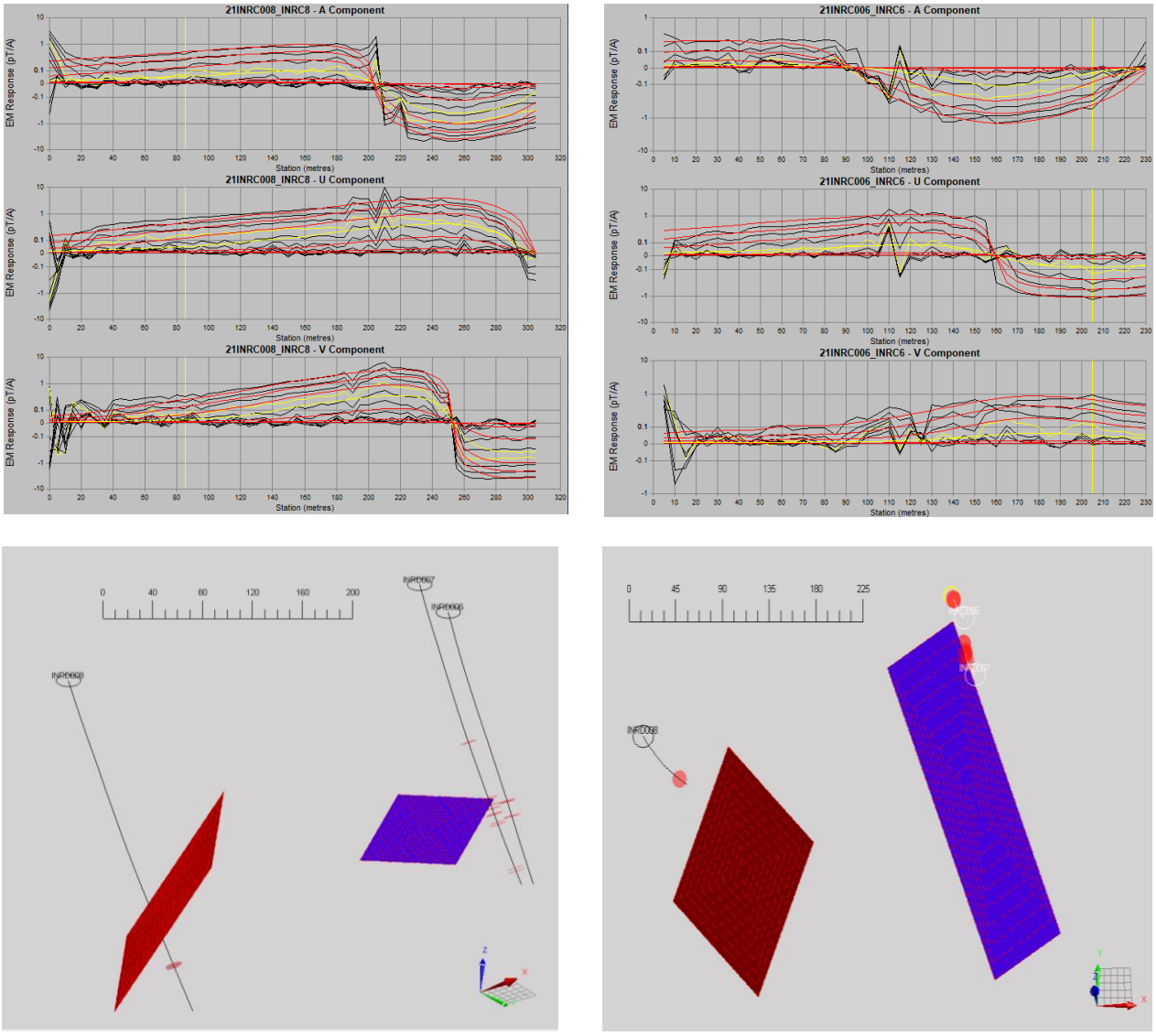


Figure 1. Downhole EM modelling at Innouendy

Upper Left: 3 components of late time DHEM data from hole INRD008. Red profiles – modelled data. Black profiles – observed data. Channels 32-38, 80-300ms.

Upper Right: Data from INRD008.

Lower Left: Oblique view of modelled conductive plates with current drilling, looking NW. Red disks are intersected zones of sulphides.

Lower Right: Plan view of the same modelling.

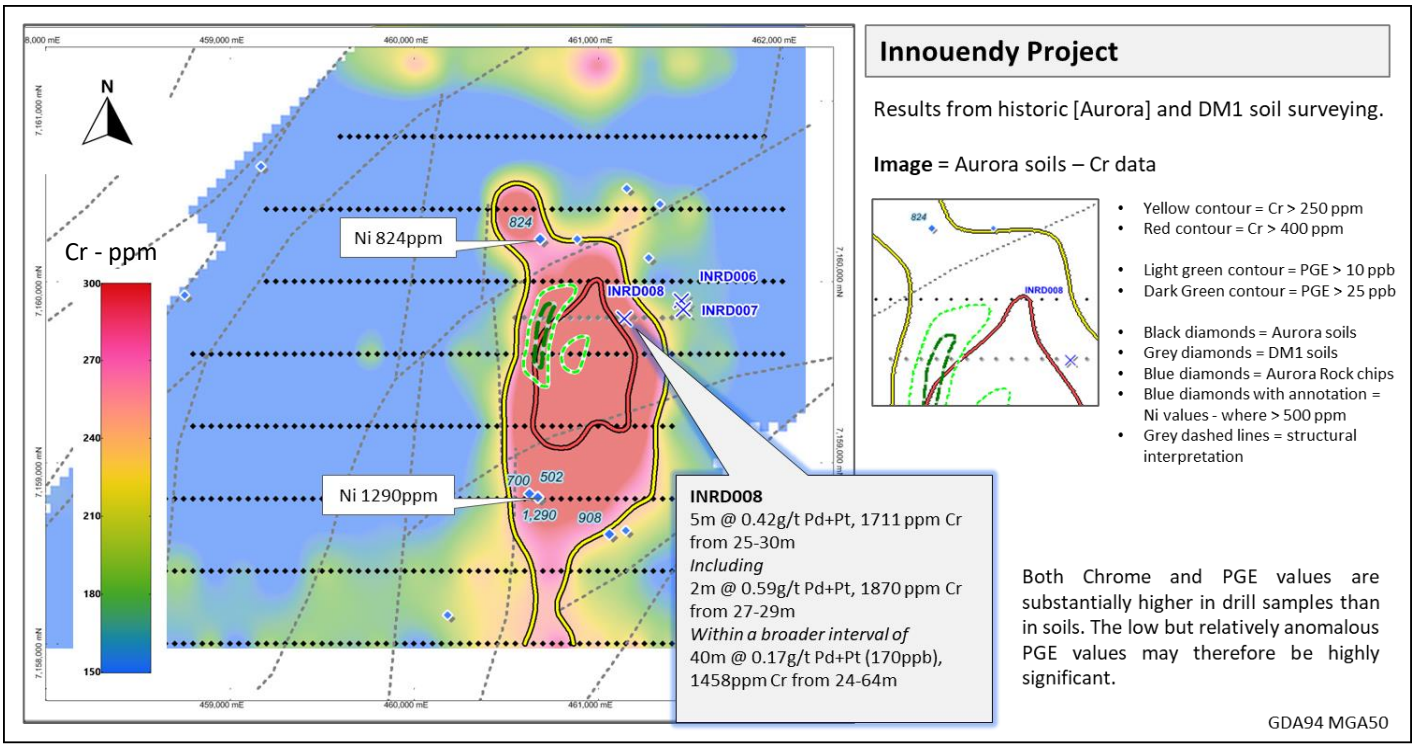


Figure 2. Soils data at Innouendy

Irrida Hill

The Irrida Hill project consists of multiple high conductance plates modelled from ground EM data collected by the Company. These anomalies also show up clearly on the Company's airborne and ground EM data. These conductors are coincident with a strong, discrete magnetic low at a prominent structural intersection as interpreted from regional magnetic data. Ground inspection confirms a sub-cropping intrusion coincident with the magnetic low.

The first three holes into three modelled EM conductive plates at Irrida Hill have all intersected several widths (ranging from 10cm to 1m) of semi-massive to massive pyrrhotite with trace copper and nickel sulphide (Holes IRRDD002, IRRDD004 and IRRD005). The first two of these holes were completed last quarter and hole IRRD005 was drilled this quarter.

IRRDD005 intersected metamorphosed mafic schist and mafic intrusive interlaced with banded iron formation. The sulphide mineralisation has been remobilised along the dominant foliation and consists of numerous zones of disseminated to network textured mineralisation that is similar to that intersected in the first two holes.

Downhole EM (DHEM) completed after drilling suggests a large sheet of sulphide mineralisation runs parallel to current drill holes and has not been completely tested by current drilling. Core has been sent to the lab but at the date of this report assays have not been received. Any further targeting at Irrida will be planned after assays are received and prioritised along with the Company's other targets.

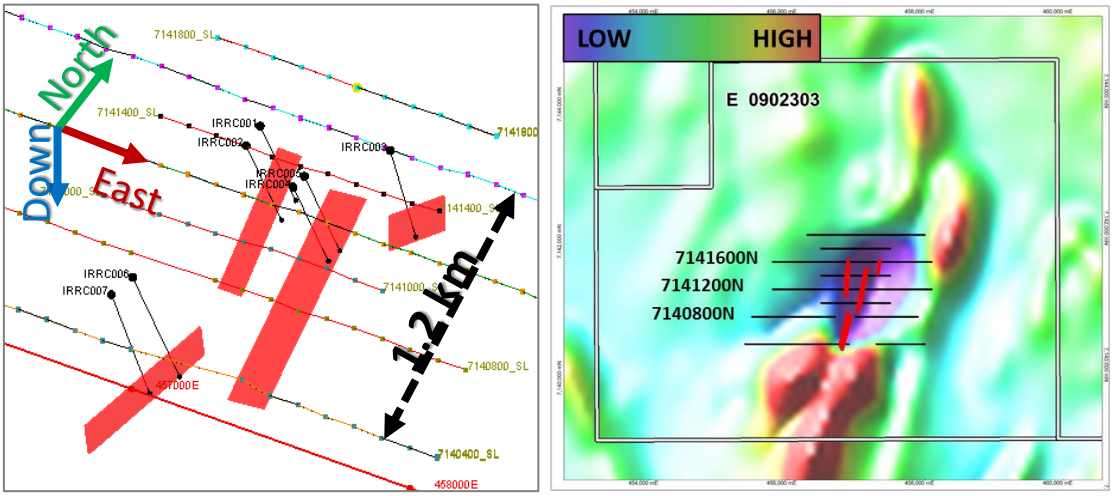


Figure 3: **Magnetic image and modelled EM targets at Irrida Hill.**

RIGHT: RTP Magnetic Image with EM survey lines and modelled plates [red].
LEFT: Oblique view [looking northwest] showing the modelled conductors and planned drill holes.

Regional Soil sampling

The Company has begun a regional soil sampling program of approximately 3000 samples. At the end of the quarter 1620 samples have been collected and are being assayed for a suite of elements including Au, Ni, Cu and PGEs. The program is primarily targeting gold, after Desert recognised the potential similarity between the geological setting of the Tropicana Gold Deposit on the southeast margin of the Yilgarn craton and the Opal Bore and Innouendy Prospects, which are situated along the northern edge of the Yilgarn Craton and the Errabiddy tectonic suture within the Gascoyne Complex.

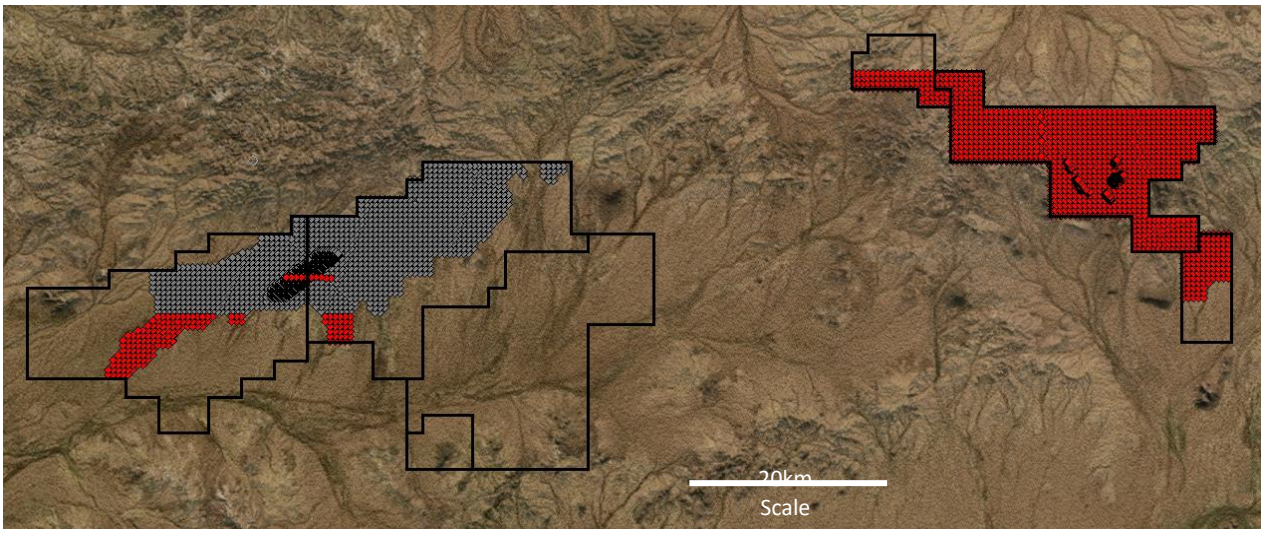


Figure 4. Regional Soil sampling program

- Eastern Block – 1455 samples collected
- Western Block – 165 samples collected

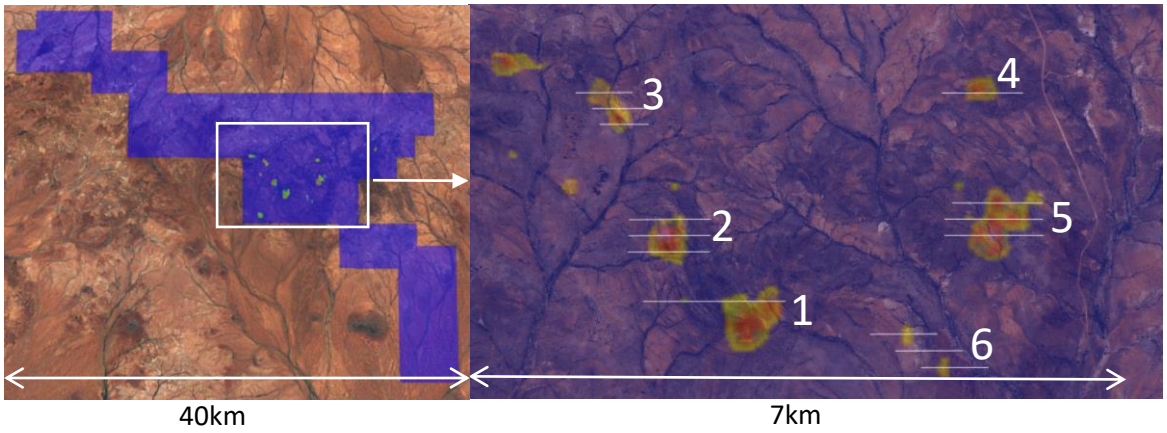
Heritage Clearance – Drill Program at Dingo Pass and Belele

The Company signed a Heritage Agreement with Wajarri Yamatji, who hold native title over the Company's eastern licenses. Wajarri people have recently transitioned to Native Title holders and only in the last couple of months have formed their body corporate through which agreements like the one with Desert could be signed.

Having signed the agreement the Company and Wajarri Yamatji are scheduling a ground survey. As soon as possible after the survey drilling will begin at Dingo Pass and Belele. There are no known heritage issues and now that the agreement is signed no delays are anticipated.

Ni-Cu-PGE Intrusive Targets defined at Dingo Pass

Several anomalies from the airborne EM data acquired in May were followed up during both this quarter and the previous, with ground EM and plate models made. On the Dingo Pass license there are 6 such discrete anomalies with conductivities 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.



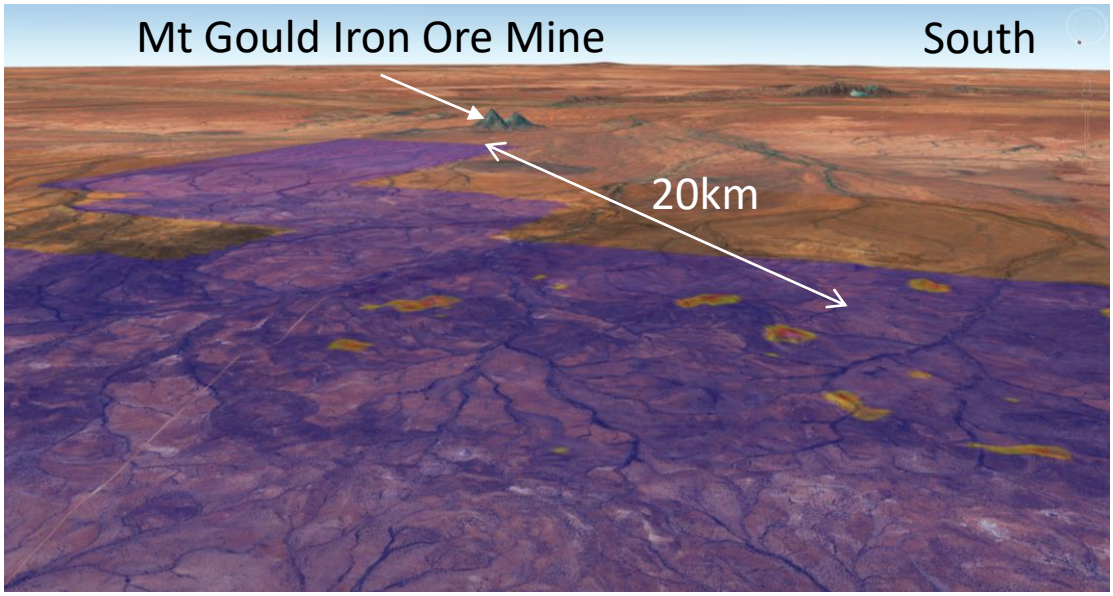
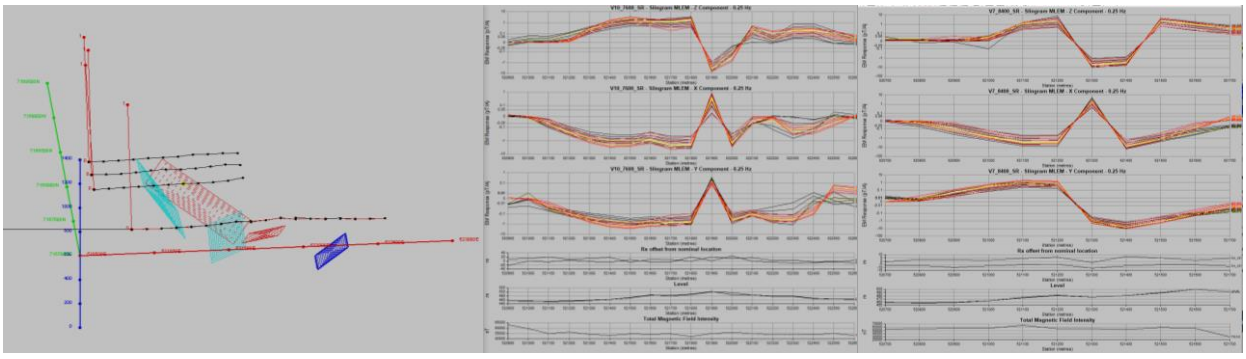
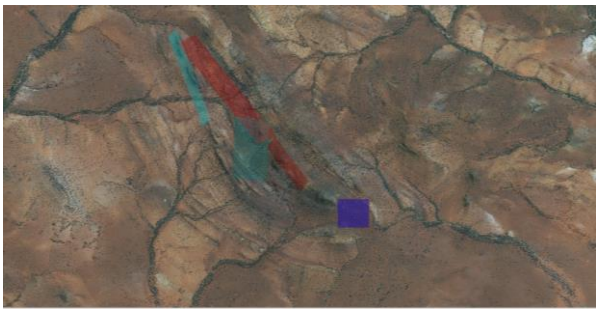


Figure 5. Six separate Dingo Pass Conductors shown at different scales. These sit within mafic intrusive mapped by Desert. They are modelled at up to 12,000 S and together are unique across the Company's entire license package. **Background image** - late time Airborne EM over satellite photo. White lines - ground EM traverses.



a) b) c)

d)



e)

Figure 6: 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 (i.e. 12 field components) have been modelled simultaneously.

d) Satellite photo over the Dome. Desert's 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.

Corporate

On 7 July 2021 Mr Keith Murray was appointed as an independent Non-Executive Director of the Company.

Mr Murray is a Chartered Accountant with extensive knowledge and experience built up over 40 years at General Manager level in audit, accounting, tax, finance, treasury and corporate governance. Mr Murray's experience in mining extends to the 1990's during which time he was Group Accounting Manager Corporate and Taxation, and joint Company Secretary for Eltin Limited, a leading Australian based international mining services company. Mr Murray is currently General Manager Corporate and Company Secretary for Heytesbury, the privately owned Holmes à Court family company group in Western Australia.

Payment to Related Parties

The Company advises that payment to related parties of $177,568 included Director fees, legal fees, CEO and executive management fees and geophysical interpretation costs.

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 September 2021 quarter are as follows:

Exploration: $821,271

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	$2,554,519
Administration (2 years)	$1,000,000	$351,494
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 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.

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 55,000,000

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