Rare Earth System Emerging at Innouendy

Exploration Update

- Follow-up drilling at the Innouendy Rare Earth Project in WA, comprising an additional 265 aircore holes for 10,909m and 13 RC holes for 1,836m, has now been completed.
- Initial XRF and visual observations are encouraging and suggest the possibility of an extensive, near surface, rare earth system:
  - Clays which host the mineralisation start close to surface and have been intersected up to 80m thick in parts. Step out drilling traverses across 20km of strike length have intersected both thick clays and large volumes of mafic and ultramafic rock, lab analysis will determine whether these units host significant mineralisation.
- The drilling program was designed to follow up the recent high-grade mineralisation, including an intercept of 20m @ 2139ppm from 16m, including 4m @ 4376ppm Total Rare Earth Oxide.
- Samples are currently being submitted to the lab for analysis.

Desert Metals (the Company or DM1) is pleased to provide an update on exploration activities on its licenses in the Narryer Terrane.

A 12,745m drilling program using both aircore (AC) and reverse circulation (RC) drill rigs has been completed on the Company's 100% owned Innouendy license (Table 1). The aircore program has predominantly followed up on rare earth intersections (up to 20m @ 2139ppm from 16m, including 4m @ 4376ppm Total Rare Earth Oxide) within saprolitic clays close to surface. (DM1: ASX release 19 July). The drilling intersected encouraging thicknesses of clays (up to 80m thick, average hole depth 41m) across an extensive area surrounding the previously reported REE mineralisation (Figure 1). If the high value REE grades previously reported are repeated over significant downhole thickness and areal extent, analysis from the current drilling program will be used to help define a resource. Samples are currently being sent to the lab for analysis. See Figure 1 for the location of drill holes.

The aircore drill program also included a number regional reconnaissance traverses to test the extent of nickel prospective ultramafic/mafic rocks under cover. The Company has now confirmed the presence of extensive mafic/ultramafic intrusion(s) over a strike length in excess of 20km.

The reverse circulation drilling was focussed on following up recent promising nickel (Ni) and platinum-palladium (PGE) intercepts, including 4m @1.76% Ni within a 12m zone @1.17%. The program consisted of 13 holes with an average depth of 141m. Samples have been sent to the lab for assay.

Downhole EM (DHEM) is due to be collected on holes drilled at the Belele and Dingo Pass nickel-copper sulphide projects in the next couple of weeks. Drilling of off-hole conductors will follow as soon as possible after the DHEM has been completed.

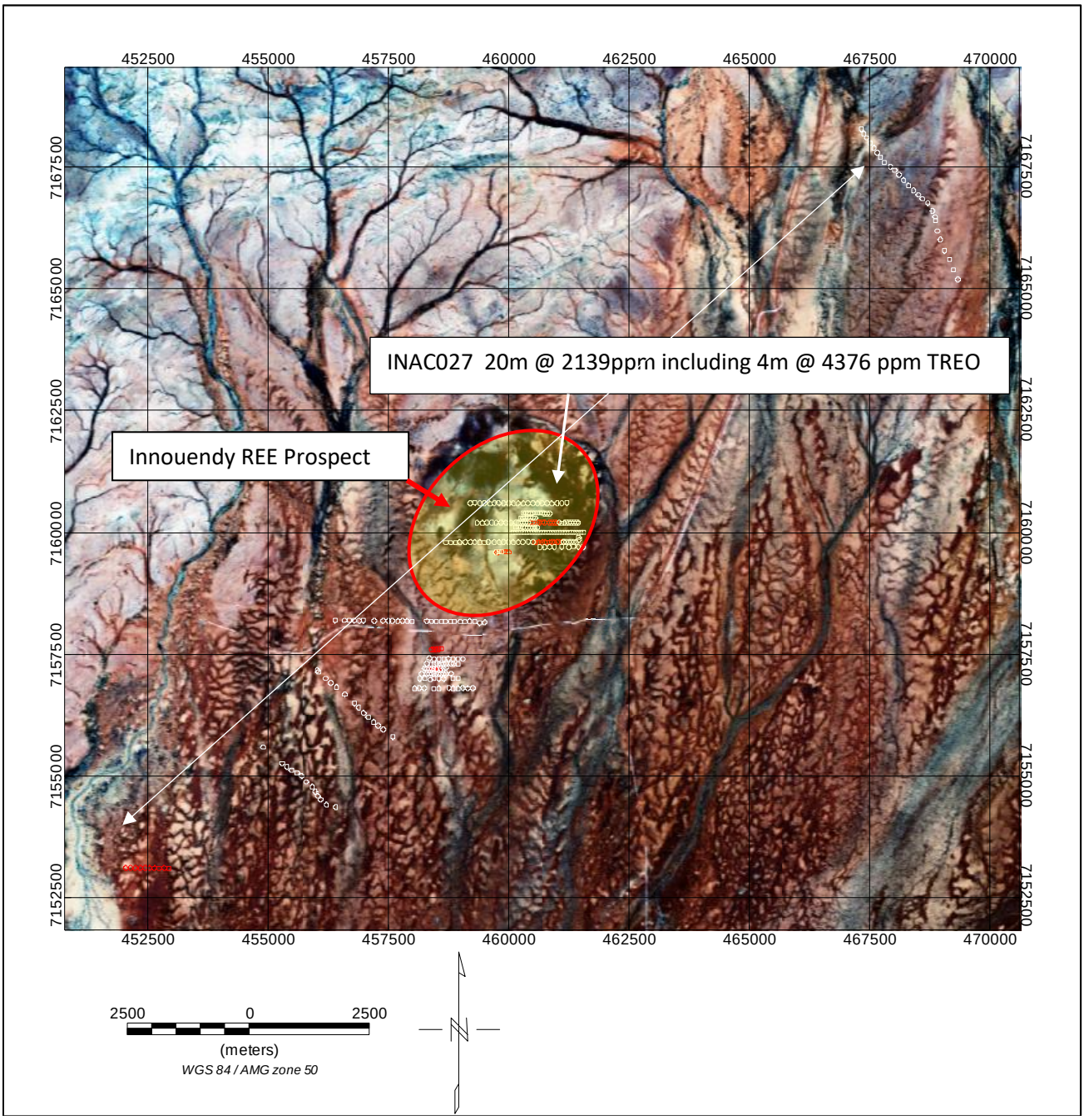

Figure 1 *Location of aircore and RC holes at Innouendy. Red collars previously reported, white collars from current program with analysis pending. Current drilling program extends across greater than 20km. Background image Sentinel RGB =432 ternary image.*

Authorised by the Board of Desert Metals Limited.

Rob Stuart — Managing Director

Tony Worth — Technical Director

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.

Table 1. Locations of New Drilling at Innouendy

Hole ID	Easting	Northing	RL	Depth	Project	Dip	Azimuth
INRC009	459849	7159601	370	132	Jarra	-61	93
INRC010	459799	7159604	370	100	Jarra	-59	93
INRC011	459741	7159592	370	142	Jarra	-60	91
INRC012	458451	7157198	367	112	Stockyard	-61	96
INRC013	458401	7157197	366	150	Stockyard	-60	93
INRC014	458349	7157202	366	150	Stockyard	-61	91
INRC015	458446	7156999	366	150	Stockyard	-61	89
INRC016	458652	7156993	365	150	Stockyard	-61	89
INRC017	458552	7156994	366	150	Stockyard	-61	89
INRC018	458598	7157098	364	150	Stockyard	-61	90
INRC019	458546	7157100	365	150	Stockyard	-60	92
INRC020	458499	7157100	366	150	Stockyard	-59	100
INRC021	458499	7157199	368	150	Stockyard	-61	89
INAC049	461209	7160607	380	38	Innouendy	-60	90
INAC050	461102	7160601	377	40	Innouendy	-60	90
INAC051	461004	7160602	378	41	Innouendy	-60	90
INAC052	460898	7160595	379	45	Innouendy	-60	90
INAC053	460796	7160601	385	32	Innouendy	-60	90
INAC054	460698	7160600	380	33	Innouendy	-60	90
INAC055	460599	7160598	381	26	Innouendy	-60	90
INAC056	460500	7160600	382	48	Innouendy	-60	90
INAC057	460401	7160600	381	18	Innouendy	-60	90
INAC058	460301	7160596	378	11	Innouendy	-60	90
INAC059	460196	7160598	378	25	Innouendy	-60	90
INAC060	460098	7160600	378	8	Innouendy	-60	90
INAC061	459999	7160603	379	2	Innouendy	-60	90
INAC062	459901	7160603	377	7	Innouendy	-60	90
INAC063	459792	7160606	377	34	Innouendy	-60	90
INAC064	459704	7160606	381	38	Innouendy	-60	90
INAC065	459610	7160594	385	28	Innouendy	-60	90
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INAC067	459403	7160600	388	17	Innouendy	-60	90
INAC068	459302	7160608	380	16	Innouendy	-60	90
INAC069	459207	7160598	382	52	Innouendy	-60	90
INAC070	460847	7160392	382	72	Innouendy	-60	90
INAC071	460798	7160394	378	70	Innouendy	-60	90
INAC072	460749	7160385	381	76	Innouendy	-60	90
INAC073	460699	7160400	385	75	Innouendy	-60	90
INAC074	460648	7160398	382	51	Innouendy	-60	90
INAC075	460603	7160400	392	69	Innouendy	-60	90

INAC076	460550	7160398	396	15	Innouendy	-60	90
INAC077	460501	7160402	400	59	Innouendy	-60	90
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INAC082	460554	7160299	375	7	Innouendy	-60	90
INAC083	460502	7160303	374	76	Innouendy	-60	90
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INAC235	458764	7156805	370	77	Stockyard	-60	90
INAC236	458553	7156796	366	103	Stockyard	-60	90
INAC237	458947	7156999	366	33	Stockyard	-60	90
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INAC265	458254	7157205	368	54	Stockyard	-60	90
INAC266	458451	7157100	366	64	Stockyard	-60	90
INAC267	458355	7157095	365	25	Stockyard	-60	90
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INAC270	458198	7157097	363	52	Stockyard	-60	90
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INAC273	458153	7156995	365	63	Stockyard	-60	90
INAC274	458452	7156794	358	77	Stockyard	-60	90
INAC275	458250	7156798	362	37	Stockyard	-60	90
INAC276	458148	7156801	357	42	Stockyard	-60	90
INAC277	458047	7156798	362	79	Stockyard	-60	90
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INAC279	456049	7157137	368	25	regional	-90	360
INAC280	456203	7157002	358	16	regional	-90	360
INAC281	456309	7156913	360	14	regional	-90	360
INAC282	456425	7156823	360	14	regional	-90	360
INAC283	456599	7156676	360	36	regional	-90	360
INAC284	456804	7156488	368	67	regional	-90	360
INAC285	456884	7156404	368	55	regional	-90	360
INAC286	456995	7156292	375	62	regional	-90	360
INAC287	457085	7156205	376	51	regional	-90	360
INAC288	457199	7156104	376	42	regional	-90	360
INAC289	457293	7156032	371	36	regional	-90	360
INAC290	457399	7155951	373	64	regional	-90	360

INAC291	457600	7155799	378	92	regional	-90	360
INAC292	454903	7155591	382	27	regional	-90	360
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INAC294	455397	7155185	384	25	regional	-90	360
INAC295	455493	7155118	384	29	regional	-90	360
INAC296	455614	7155060	380	33	regional	-90	360
INAC297	455702	7155002	382	22	regional	-90	360
INAC298	455803	7154878	382	20	regional	-90	360
INAC299	455920	7154778	378	42	regional	-90	360
INAC300	455984	7154676	351	43	regional	-90	360
INAC301	456039	7154591	357	35	regional	-90	360
INAC302	456100	7154512	356	41	regional	-90	360
INAC303	456221	7154407	358	84	regional	-90	360
INAC304	456407	7154357	363	71	regional	-90	360
INAC305	461547	7159699	374	44	Innouendy	-60	90
INAC306	461448	7159701	378	52	Innouendy	-60	90
INAC307	461349	7159709	376	61	Innouendy	-60	90
INAC308	461250	7159702	381	78	Innouendy	-60	90
INAC309	461101	7159702	387	68	Innouendy	-60	90
INAC310	460948	7159699	396	57	Innouendy	-60	90
INAC311	460850	7159704	399	20	Innouendy	-60	90
INAC312	460752	7159699	401	14	Innouendy	-60	90
INAC313	460648	7159697	401	11	Innouendy	-60	90

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 (e.g., 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 (e.g., '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 (e.g., submarine nodules) may warrant disclosure of detailed information.*	• Aircore (AC) drilling samples were collected as 1-m samples from the rig cyclone and placed on the ground in separate piles. These 1-m sample piles were then sampled using a plastic PVC tube ("spear") to collect a composite sample in the ratio of one sample for every four metres. One 1-m spear sample was collected as the last sample from INAC034. The 4-m composite samples and the one 1-m sample were then sent for analysis. The Competent Person considers the quality of the sampling to be fit for the purpose of early/reconnaissance exploration. • Reverse Circulation (RC) drilling samples were collected as 1m samples split from the rig cyclone using a cone splitter. These samples were then stored securely on site. Approximately 1kg of sample was also collected from each metre interval and composited into one sample for every 4m. The 4m composite samples were then sent for analysis.
Drilling techniques	• *Drill type (e.g., core, reverse circulation, open-hole hammer, rotary airblast, auger, Bangka, sonic, etc.) and details (e.g., 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.).*	• INAC049-INAC313 Aircore to blade refusal at EOH with a face sampling bit. • DRC009-DRC021 Reverse circulation to end of hole

Criteria	JORC Code explanation	Commentary
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.*	• Chip recoveries were monitored for consistent sample size for each metre. • Appropriate measures were taken to maximise recovery and ensure representative nature of the samples, including efforts to keep the drill holes as dry as possible. • No relationship between recovery and grade has been observed.
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 mineralogy, mineralisation, weathering, lithology, colour and other features are recorded. A sample of every metre is permanently retained in chip trays for any follow-up logging. Logging is sufficient to support early exploration studies.
Sub-sampling and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core* • *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.*	• No Assays reported in this release

Criteria	JORC Code explanation	Commentary
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 model, reading times, calibration factors applied and their derivation etc.* • *Nature of quality control procedures adopted (e.g., standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e., lack of bias) and precision have been established.*	• Samples are to be submitted for sample preparation and geochemical analysis by ALS Perth. • Standards and blanks were submitted in the sample stream at a rate of approximately 1 per 30 samples. The laboratory conducted its own checks which were also monitored. • In the field spot checks were completed on selected samples using a hand held XRF unit. These results are not considered reliable without calibration using chemical analysis. They were used as a guide to the relative presence or absence of certain elements, including REEs, to help guide the drill program.
Verification of 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 and chips. • No twin holes have been completed. • Primary drill data were collected manually on paper and digitally using Excel software before being transferred to the master database in mining software package Micromine. • Conversion of elemental analysis (REE parts per million) to oxide (REO parts per million) was using the below element to oxide conversion factors. Element - Conversion Factor - Oxide Form Ce 1.2284 CeO_2 Dy 1.1477 Dy_2O_3 Er 1.1435 Er_2O_3 Eu 1.1579 Eu_2O_3 Gd 1.1526 Gd_2O_3 Ho 1.1455 Ho_2O_3 La 1.1728 La_2O_3 Lu 1.1371 Lu_2O_3 Nd 1.1664 Nd_2O_3

Criteria	JORC Code explanation	Commentary
		Pr 1.2083 Pr_6O_{11} Sm 1.1596 Sm_2O_3 Tb 1.1762 Tb_4O_7 Tm 1.1421 Tm_2O_3 Y 1.2699 Y_2O_3 Yb 1.1387 Yb_2O_3 • Rare earth oxide is the industry-accepted form for reporting rare earth analytical results. The following calculations are used for compiling REO into their reporting and evaluation groups: ○ TREO (Total Rare Earth Oxide) = La_2O_3 + CeO_2 + Pr_6O_{11} + Nd_2O_3 + Sm_2O_3 + Eu_2O_3 + Gd_2O_3 + Tb_4O_7 + Dy_2O_3 + Ho_2O_3 + Er_2O_3 + Tm_2O_3 + Yb_2O_3 + Y_2O_3 + Lu_2O_3 ○ TREO-Ce = TREO – CeO_2 ○ LREO (Light Rare Earth Oxide) = La_2O_3 + CeO_2 + Pr_6O_{11} + Nd_2O_3 + Sm_2O_3 ○ HREO (Heavy Rare Earth Oxide) = Eu_2O_3 + Gd_2O_3 + Tb_4O7 + Dy_2O_3 + Ho_2O_3 + Er_2O_3 + Tm_2O_3 + Yb_2O_3 + Y_2O_3 + Lu_2O_3 ○ CREO (Critical Rare Earth Oxide) = Nd_2O_3 + Eu_2O_3 + Tb_4O_7 + Dy_2O_3 + Y_2O_3 ○ MREO (Magnetic Rare Earth Oxide) = Pr_6O_{11} + Nd_2O_3 + Sm_2O_3 + Gd_2O_3 + Tb_4O_7 + Dy_2O_3.
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 used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control*	• Drill hole collar locations were surveyed using handheld GPS. • Expected accuracy for collar surveys is ± 3 m. • Down-hole surveys were taken by north-seeking gyro with readings at the surface and then approximately every 3 m downhole. • The grid system is MGA GDA94 (zone 50), local easting and northing are MGA. • Topographic surface uses handheld GPS elevation data, which is adequate for the current stage of the project.

Criteria	JORC Code explanation	Commentary
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 composting has been applied.*	• Drilling to date has been reconnaissance in nature; the spacing is insufficient to make any conclusions as to the context, size, or extent of the mineralisation. • Data spacing and distribution is not sufficient to allow the estimation of mineral resources. • Drill samples were composted on site to create 4-m composite samples, with 1-m samples taken near end of hole.
Orientation of data in relation to geological structure	• *Whether the orientation of the 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 mineralized structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• It is not known whether the orientation of the sampling achieved unbiased sampling of possible structures; however, it is considered unlikely by the Competent Person. • It is not known if the relationship between the drilling orientation and the orientation of key mineralised structures has introduced a sampling bias; however, it is considered unlikely by the Competent Person.
Sample security	• *The measures taken to ensure sample security.*	• Samples were sealed in polyweave bags that were cable-tied closed and stored securely on site until transported by company personnel to the lab.
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 license to operate in the area.*	• Surveys were conducted within DM1 100%-owned Exploration Licenses E9/2330 and E9/2351 • All tenements are in good standing with DMIRS. DM1 is unaware of any impediments for exploration on these licenses.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties*	• The tenements have had very limited published or open file exploration work for magmatic nickel 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 is described in the prospectus downloadable from the Company's website.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The project covers regions of the Narryer Terrane in the Yilgarn Craton, said to represent reworked remnants of greenstone sequences that are prospective for intrusion-hosted Ni-Cu-(Co)-(PGEs) and orogenic gold mineralisation. Nickel-sulphide mineralisation is anticipated to be related to mantle-derived (mafic and ultramafic) intrusives intersected by deep structures. • The REE mineralisation is considered to occur in deeply weathered lateritic and saprolitic clay layers of the Narryer terrane.

Criteria	JORC Code explanation	Commentary

Drill hole information	• *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 collars*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole*
	  ○ *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.
		• Refer to table in body of the report.

Data aggregation methods	• *In reporting Exploration Results, weighting average techniques, maximum and/or minimum grade truncations (e.g., cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporated 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 aggregation shown in detail.* • *The assumption used for any reporting of metal equivalent values should be clearly stated.*	• Assay results of REE are reported in ppm and the conversion of elemental analysis (REE parts per million) to stoichiometric oxide (REO parts per million) was undertaken using stoichiometric oxide conversion factors.
Relationship between mineralisation	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*	• The relationship between drill hole orientations and mineralisation is unknown at this stage. All results are reported as downhole intervals/widths.
widths and intercept lengths	• *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g., 'down hole length, true width not known').*	• The relationship between drill hole orientations and mineralisation is unknown at this stage. All results are reported as downhole intervals/widths.
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 Figure in body of text.

Criteria	JORC Code explanation	Commentary
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 are reported transparently in the report.
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 new and relevant data have been reported.
Further work	• *The nature and scale of planned further work (e.g., 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.*	• A full review of the results to date will be undertaken prior to any future programs being executed.