

## Quarterly Activities Report – Quarter ended 30 September 21022

### Highlights

- Announcement of a significant clay-hosted rare earth discovery (REE) at the Innouendy project.
- Completion of an Aircore (AC) and Reverse Circulation (RC) drilling program totalling 12,745m at the Innouendy project.
  - Initial 1,128m of assay results received with excellent Total Rare Earth Oxide (TREO) intersections:
    - 8m @ 2734ppm from 24m (incl 3m @ 4104ppm) hole 80
    - 17m @ 1347ppm from 28m (inc 8m @ 2085, incl 4m @ 2791) hole 130
    - 8m @ 1429ppm from 20m (inc 4m @ 2040ppm) hole 138
- Drill program indicates both thick clays and large volumes of mafic and ultramafic rock across 20km of strike length. Remaining assay results expected in coming weeks.
- Assay results from Belele RC program confirm copper mineralisation downdip at depth.
- Drill rig poised to commence RC drilling at Dingo Pass at end of quarter to test new EM targets based on recently completed downhole EM survey

### Innouendy Project

During the quarter, Desert Metals has confirmed and announced a significant rare earth discovery at the Innouendy Project in the Narryer Terrane in WA. Initial TREO results from the 12,745m AC and RC program confirm a near surface, thick and continuous rare earth mineralisation, indicating the potential for a large mineralised system. The drill program was predominantly designed to follow up anomalous REE results (up to 20m @ 2139ppm, including 4m @ 4376ppm) within saprolitic clays close to surface.

Intercepts (further to those previously mentioned) include:

- 21m @ 1176ppm from 4m (incl 12m @ 1490ppm) hole 136
- 48m @ 665ppm from 20m (incl 8m @ 1209ppm) hole 70
- 28m @ 965ppm from 12m (incl 16m @ 1255ppm) hole 140
- 28m @ 855ppm from 4m (incl 8m @ 1311ppm) hole 137
- 28m @ 607ppm from 24m (incl 8m @ 1122ppm) hole 69
- 8m @ 1325ppm from 12m (incl 4m @ 1771) hole 134
- 8m @ 1111ppm from 12m (incl 4m @ 1674ppm) hole 77
- 8m @ 1051ppm from 12m (incl 4m @ 1270ppm) hole 78
- 8m @ 1020ppm from 32m (incl 4m @ 1125ppm) hole 72

The Company has undertaken exploration across 20km of strike length, including several regional traverses testing the extent of nickel hosting mafic/ ultramafics which, with assay results pending, indicate that thick mafic and ultramafic units as well as thick clay intercepts are present, thus showing encouraging signs of a large rare earth system.

Once the remaining approx. 11,500m of assays are returned and compiled, the Company intends to undertake an expansive drill program as soon as practical, to test the extent and consistency of this exciting discovery.

The RC portion of the drilling program was designed to follow up on previous promising Nickel and Platinum Palladium (PGE) intercepts (including 4m @1.76% Ni within a 12m zone @1.17%). Initial analysis is encouraging, with the majority of assay results pending.

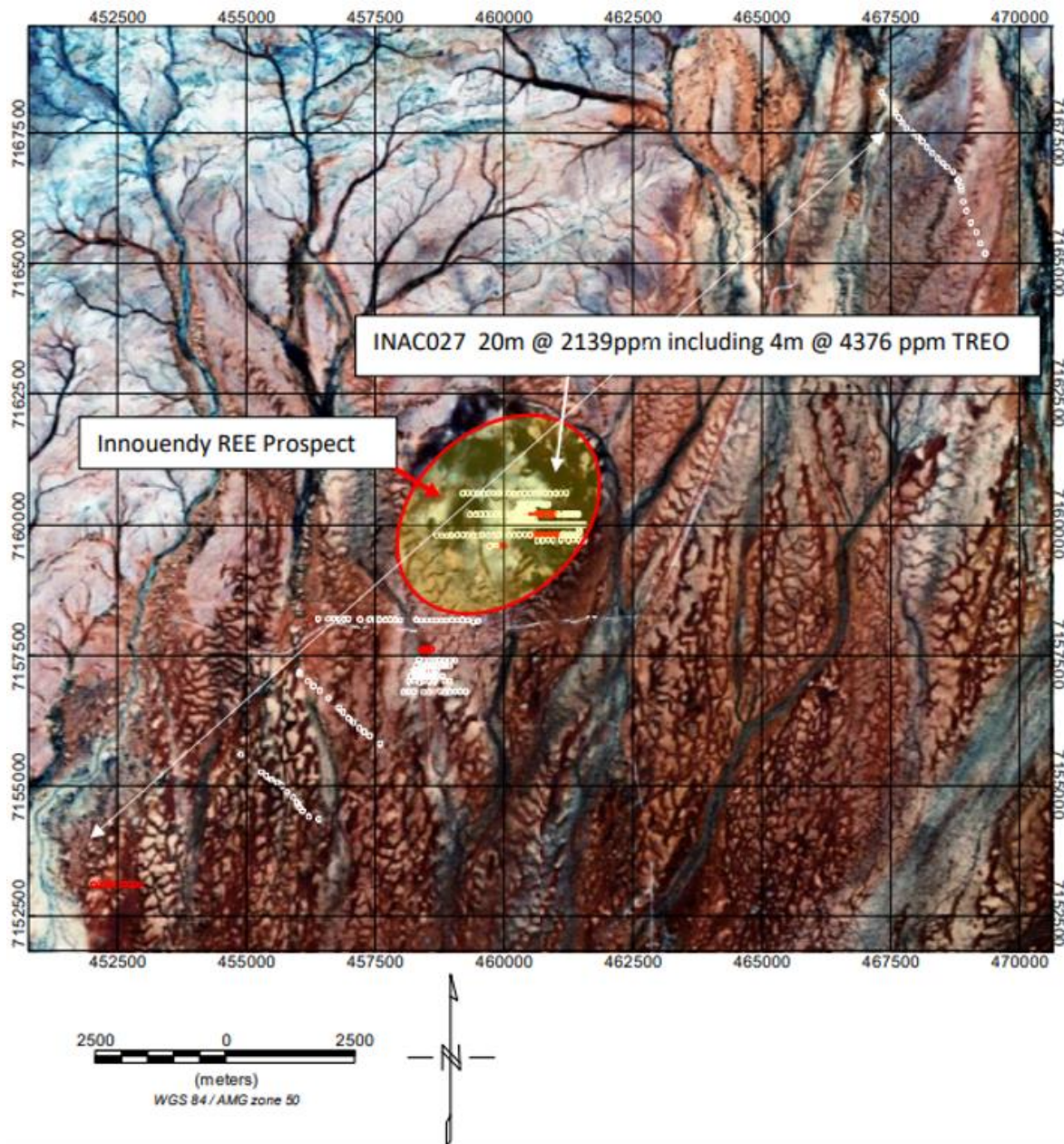


Figure 1. Location of AC and RC holes at Innouendy. Red collars previously reported, white collars from current program with analysis pending. Current drilling program extends across greater than 20km. Background image Sentinel RGB =432 ternary image.

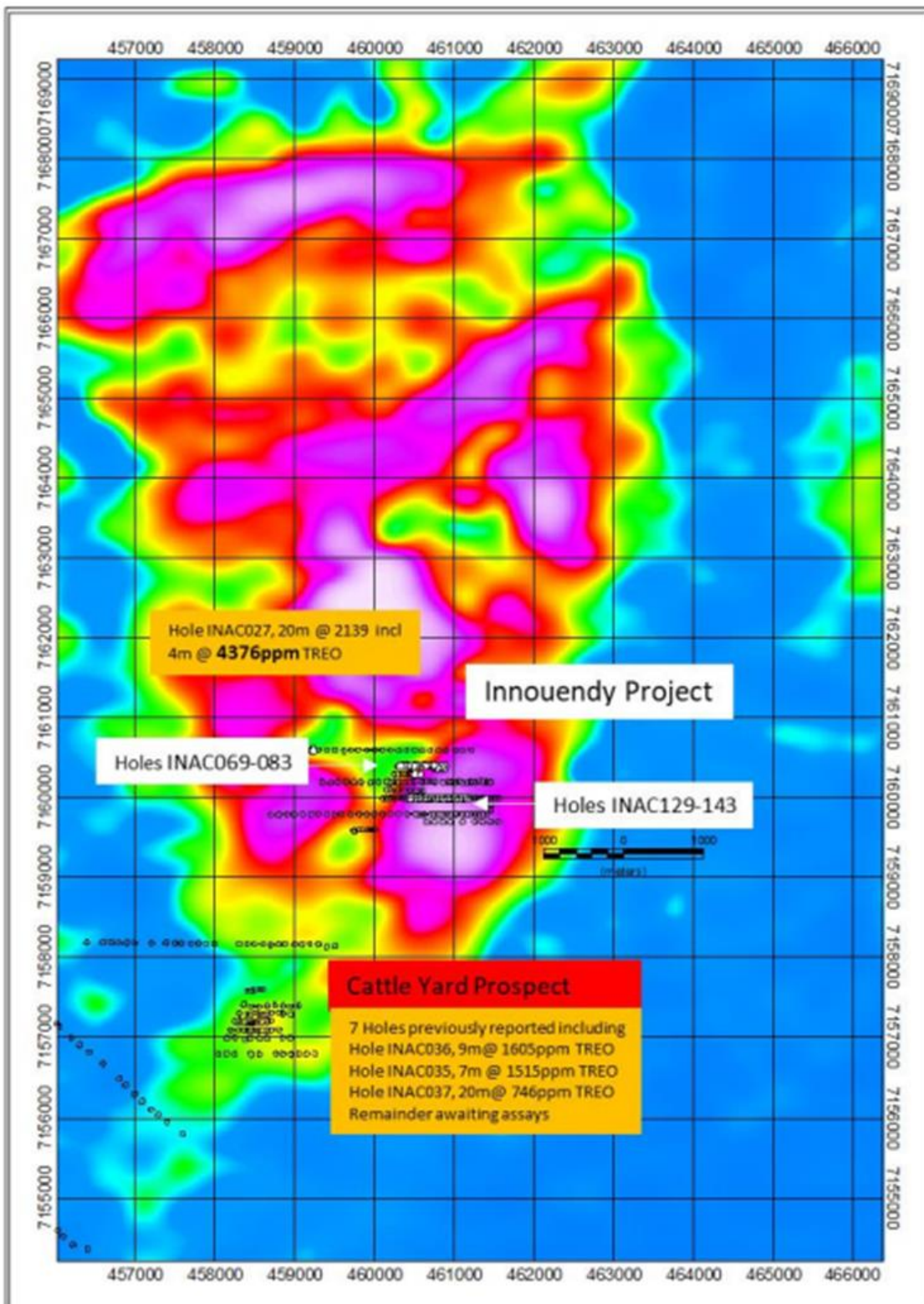


Figure 2. Assays reported from holes INAC 069-083 and INAC129-143 shown with white background (See Figure 3 for sections). Assays are pending for all other holes apart from the partial sampling previously reported. Background Image-Radiometric thorium count from airborne spectrometer. Primary minerals containing rare earth elements often contain thorium. Radiometric thorium, along with early time EM data, can be used in the targeting process to help identify thick clays with the potential for high-grade ionic rare earths.

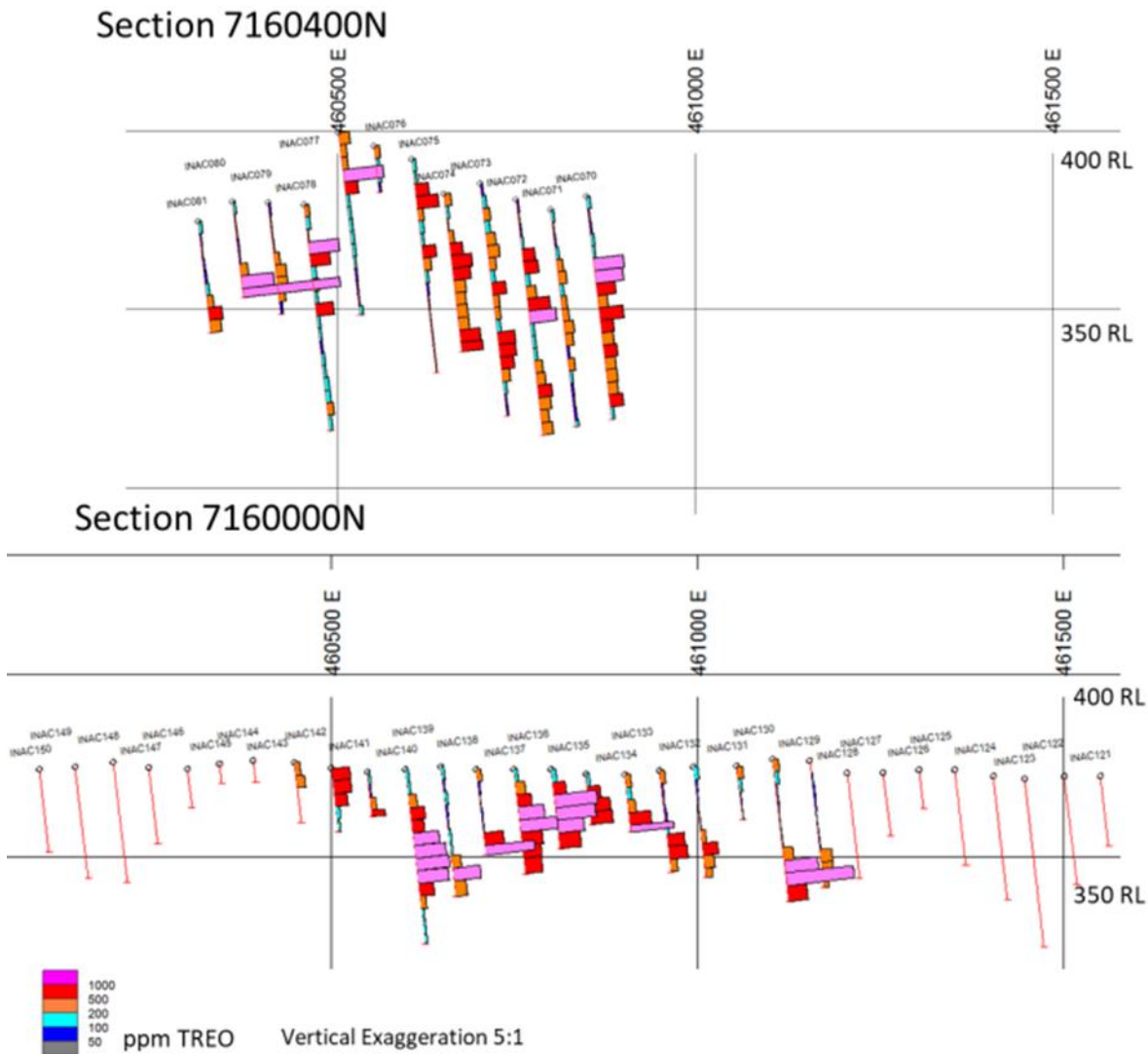


Figure 3. Total Rare Earth Oxides from two sections of assays received to date. Red drill traces = assays not yet received. TREO intersections within the clay appear to be thick and relatively continuous from the limited results received.

### Belele Project

An additional 5 hole RC program was designed and undertaken to follow up the previously drilled 5 RC holes at the Belele copper project which intercepted copper mineralisation in BRC004. The program successfully confirmed mineralisation with similar grades and widths to previous drilling. BRC008 confirms Cu mineralisation to depths of greater than 400m. (Figures 4-6)

Downhole EM has now been completed and the Company will endeavour to conduct follow up drilling once EM results have been interpreted.

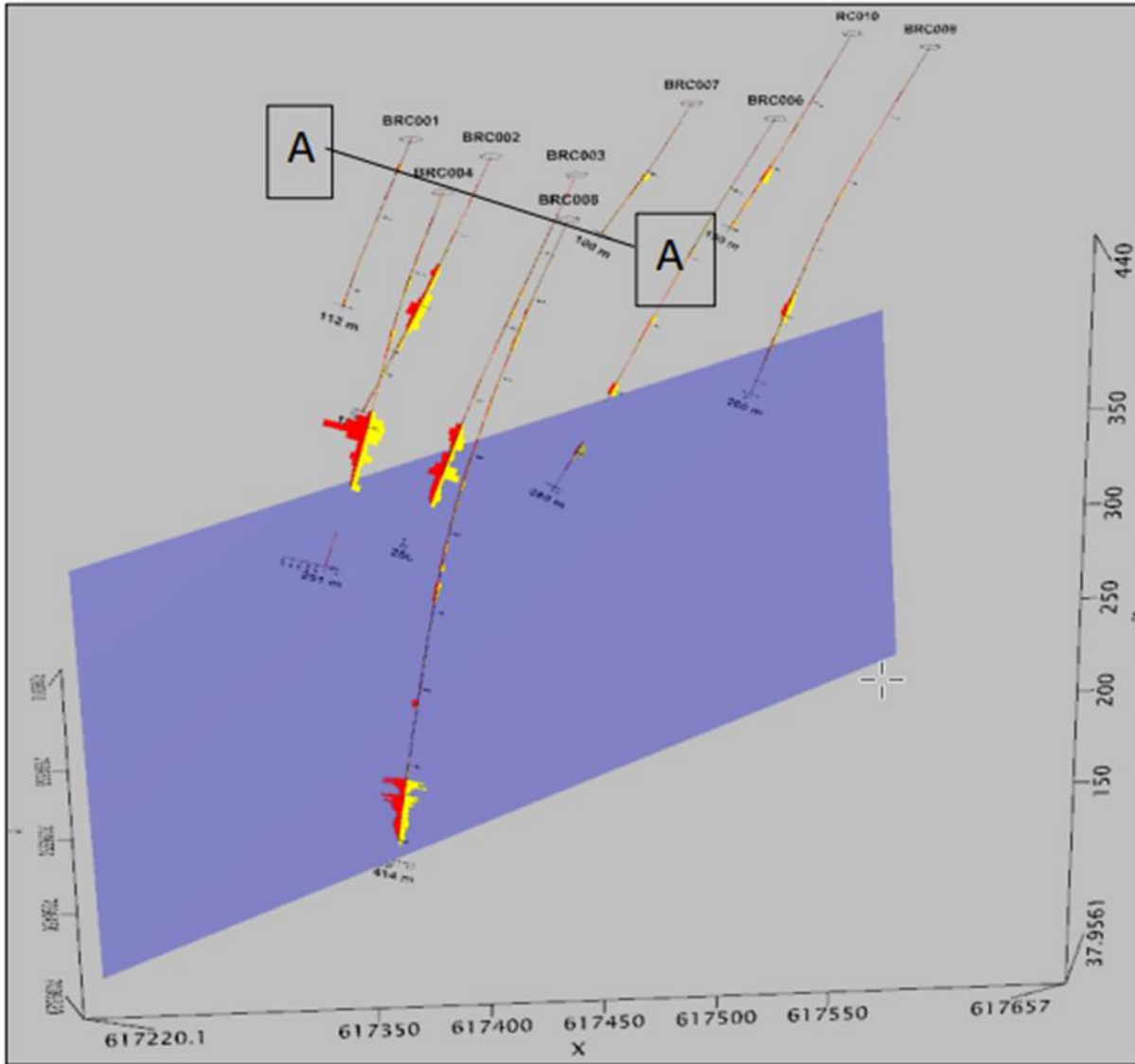


Figure 4. 3D view looking North at Belele. The conductive plate modelled from EM data is shown in purple. Copper intercepts in red, sulphide in yellow. There is a good correlation between the location of the modelled plate, sulphide mineralisation and copper grade. Downhole EM will be collected on several holes to determine if there is a more conductive and hence possibly higher-grade zone within the plate. Section A – A` shown in Figure 6.

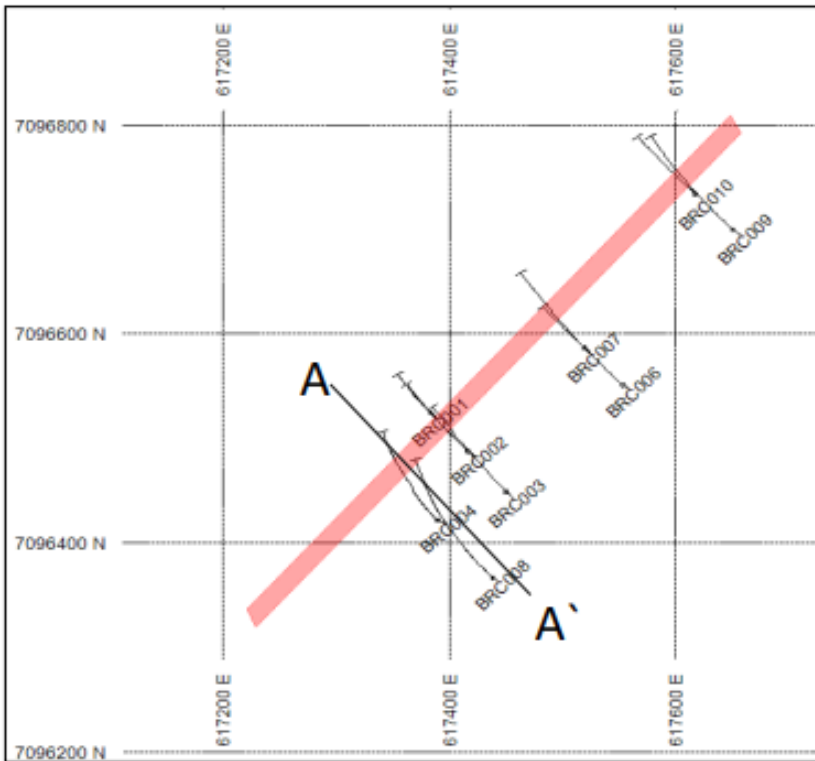
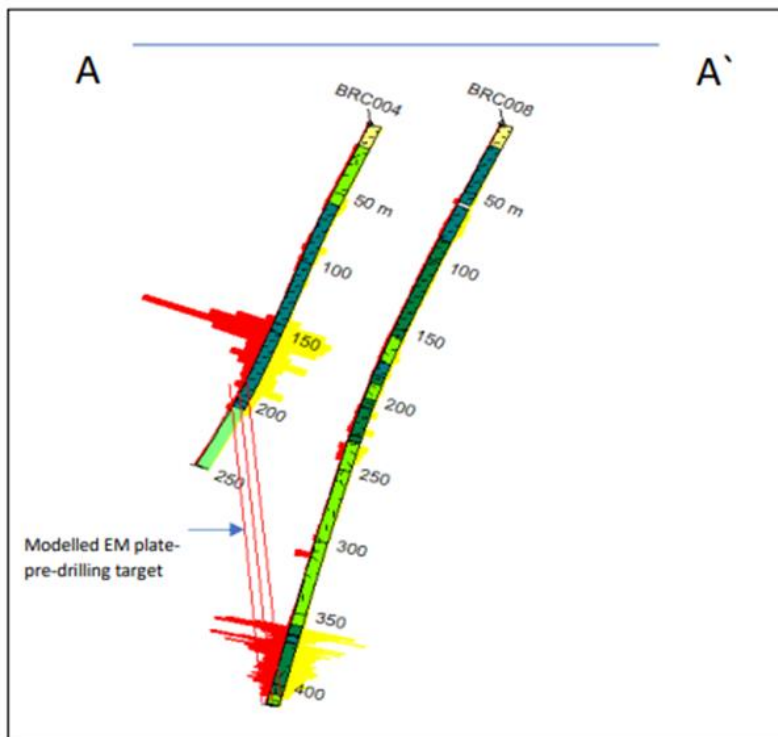


Figure 5. Plan view Belele Drilling. Holes are collared to the southeast and drilled to the northwest to intersect the modelled conductor. There is a very good correlation between the interpreted conductor and copper mineralisation. Downhole EM will help determine if there are more conductive and hence 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

#### Lithology Legend










|   |              |
|---|--------------|
|  | Overburden   |
|  | Basalt       |
|  | Dolerite     |
|  | Gabbro       |
|  | Mafic Schist |
|  | Gneiss       |
|  | Amphibolite  |
|  | Copper       |
|  | Sulphur      |

Figure 6. Section A-A'

## Dingo Pass Project

The Desert Metals Dingo Pass Nickel-Copper project consists of several as yet untested modelled high conductance anomalies (up to 30,000 Siemens). Downhole EM has recently been completed on 5 previously drilled holes at Dingo Pass. The survey confirmed anomalous bodies which were first defined by airborne and ground EM data.

An RC drill rig arrived on site in late Q3 with diamond drilling scheduled to begin at the conclusion of RC drilling in early Q4.

The 5 previously drilled RC holes intersected metamorphosed mafic intrusions with trace Copper (Cu) and Nickel (Ni) bearing sulphides, however not in concentrations to explain the anomalies. The Company interprets that the targeted host intrusions have been deformed and metamorphosed.



Figure 7. Dingo Pass Drill Hole Location Plan. Red squares - location of untested conductors modelled from DHEM

## 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 \$201,295 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 September 2022 quarter are as follows: Exploration: \$1,068,869.

### 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     | \$5,569,690    |
| Administration (2 years) | \$1,000,000     | \$827,331      |
| Expenses of the offer    | \$494,148       | \$557,435      |

Authorised by the Board of Desert Metals Limited.

For further details please contact:

#### Rob Stuart

Managing Director  
Phone: +61 (8) 6458 4200

#### Tony Worth

Technical Director  
Phone: +61 (8) 6458 4200

### 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](http://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 |

## 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")

30 September 2022

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| <b>1. Cash flows from operating activities</b>            |                            |                                       |
| 1.1 Receipts from customers                               | -                          | -                                     |
| 1.2 Payments for  |                            |                                       |
| (a) exploration & evaluation                              | (1,069)                    | (1,069)                               |
| (b) development   | -                          | -                                     |
| (c) production  | -                          | -                                     |
| (d) staff costs   | (65)                       | (65)                                  |
| (e) administration and corporate costs                    | (161)                      | (161)                                 |
| 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                                 | 101                        | 101                                   |
| 1.7 Government grants and tax incentives                  | -                          | -                                     |
| 1.8 Other (provide details if material)                   |                            |                                       |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(1,194)</b>             | <b>(1,194)</b>                        |
| <b>2. Cash flows from investing activities</b>            |                            |                                       |
| 2.1 Payments to acquire or for:                           |                            |                                       |
| (a) entities  | -                          | -                                     |
| (b) tenements   | -                          | -                                     |
| (c) property, plant and equipment                         | (5)                        | (5)                                   |
| (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<br>\$A'000 | Year to date<br>(3 months)<br>\$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)                   | -                          | -                                     |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>(5)</b>                 | <b>(5)</b>                            |

|             |   |          |          |
|-------------|---|----------|----------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>   |          |          |
| 3.1         | Proceeds from issues of equity securities (excluding convertible debt securities)       | -        | -        |
| 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 | -        | -        |
| 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)   | -        | -        |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                                   | <b>-</b> | <b>-</b> |

|           |  |         |         |
|-----------|--|---------|---------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |         |         |
| 4.1       | Cash and cash equivalents at beginning of period                             | 3,014   | 3,014   |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (1,194) | (1,194) |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | (5)     | (5)     |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | -       | -       |

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

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| 4.5   | Effect of movement in exchange rates on cash held | -                                  | -  |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of period</b> | <b>1,815</b>                       | <b>1,815</b>                                   |

| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 1,815                              | 3,014                               |
| 5.2        | Call deposits   | -                                  | -                                   |
| 5.3        | Bank overdrafts   | -                                  | -                                   |
| 5.4        | Other (provide details)   | -                                  | -                                   |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>1,815</b>                       | <b>3,014</b>                        |

| <b>6.</b> | <b>Payments to related parties of the entity and their associates</b>                   | <b>Current quarter<br/>\$A'000</b> |
|-----------|---|------------------------------------|
| 6.1       | Aggregate amount of payments to related parties and their associates included in item 1 | 201                                |
| 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

| <b>7. Financing facilities</b>  | <b>Total facility<br/>amount at quarter<br/>end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|---|---|--|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.<br/>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 <b>Total financing facilities</b>   | -   | -  |
| 7.5 <b>Unused financing facilities available at quarter end</b>   |   | -  |
| 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. |   |  |

| <b>8. Estimated cash available for future operating activities</b>   | <b>\$A'000</b> |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9)  | (1,194)        |
| 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)   | (1,194)        |
| 8.4 Cash and cash equivalents at quarter end (item 4.6)  | 1,815          |
| 8.5 Unused finance facilities available at quarter end (item 7.5)  | -              |
| 8.6 Total available funding (item 8.4 + item 8.5)  | 1,815          |
| 8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>  | 1.52           |
| <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: No. The Company has completed its current drilling program and is awaiting assay results before commencing any further drilling. As a result planned expenditure in the upcoming quarters will be less than the September 2022 quarter.              |                |
| 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: The Company has not taken steps to raise further cash at this point and will reconsider this position once assay results from the drilling program have been received. It is confident of its ability to raise funds as and when required in future. |                |

**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: Yes, on the basis stated in 8.81 and 8.82.

*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: 31 October 2022

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.