



DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

23 October 2012

The Manager  
Announcements  
Company Announcements Office  
ASX Limited  
PO Box H224 Australia Square  
SYDNEY NSW 2000

Dear Sir/Madam

**Non-renounceable Rights Issue (“Entitlement Issue”)**

The Directors are pleased to announce an opportunity for the holders of shares in the Company (**Shareholders**) to participate in a non-renounceable pro-rata Rights Issue.

Pursuant to the Entitlement Issue, assuming no options are exercised prior to the Record Date, the Company will issue up to 29,915,160 new fully paid ordinary shares (**New Shares**) at 3 cents per share (**Offer**) to raise up to \$897,455 (before costs). The New Shares will be offered on the basis of one (1) new share for every four (4) shares held in the capital of the Company at the Record Date (**Entitlement**).

The New Shares will be fully paid and will rank equally with the company’s existing issued Shares.

Holders of fully paid shares on the Company’s Register as at **5.00pm (WST) on 2 November 2012 (Record Date)** are entitled to take up this Offer.

**An Appendix 3B with respect to the Entitlement Issue follows. The Prospectus will be lodged on or about 25 October 2012.**

Drilling is planned for exciting nickel, copper and gold targets and proceeds of the Rights Issue will be utilised to finance the Company’s exploration and business development programmes as well as working capital.

The Company’s major shareholder, Aurora Minerals Limited, has advised that it intends to subscribe for its full Entitlement.

**Shortfall**

The Entitlement Issue is not underwritten. Shareholders will be given the opportunity to apply for Shares over and above their entitlement from any Shortfall.

The Directors reserve the right to place any Shortfall at their discretion.

## Key dates

With respect to the Entitlement Issue, the Company will accept applications until 5.00pm WST on 22 November 2012 or any other date the Directors in their absolute discretion determine, subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable law. An indicative timetable for the Entitlement Issue is as follows:

Appendix 3B lodged with ASX	23 October 2012
Prospectus lodged with ASIC & ASX	25 October 2012
Notice sent to Shareholders containing information required by Appendix 3B	26 October 2012
“Ex” Date (date Shares are quoted ex-rights)	29 October 2012
Record Date to determine Entitlements	2 November 2012
Opening date and despatch of Prospectus	8 November 2012
Closing Date for Receipt of Acceptances and Application Monies	22 November 2012
Securities quoted on a deferred settlement basis	23 November 2012
Advice to ASX of under subscriptions	26 November 2012
Allotment and issue of New Shares	29 November 2012
Quotation of Shares issued under the Offer and despatch of holding statements	30 November 2012

*Note: These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice, subject to compliance with the Listing Rules.*

Yours faithfully

Martin Pyle  
Executive Director  
Desert Mines and Metals Limited

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

Desert Mines and Metals Limited

ABN

56 123 102 974

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |  |  |
|---|--|--|
| 1 | +Class of +securities issued or to be issued   | Fully Paid Ordinary Shares   |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued  | Up to 29,915,160 fully paid ordinary shares (to be confirmed dependent upon acceptances). The maximum number of securities to be issued could increase if options are exercised prior to the Record Date by optionholders who take up their entitlements under the pro rata issue. |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully Paid   |

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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4	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>Yes, will rank equally with fully paid securities already on issue.</p>
5	<p>Issue price or consideration</p>	<p>3 cents / Fully Paid Ordinary Share</p>
6	<p>Purpose of the issue          (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Proceeds from the issue will be used on exploration at Camel Hills, business development and for working capital. (Refer to Prospectus).</p>
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>N/A</p>
6b	<p>The date the security holder resolution under rule 7.1A was passed</p>	<p>N/A</p>
6c	<p>Number of +securities issued without security holder approval under rule 7.1</p>	<p>N/A</p>

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+ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A	N/A		
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A		
6f	Number of securities issued under an exception in rule 7.2	29,915,160 or such greater number as may be issued as a result of options being exercised prior to the Record Date by optionholders who elect to participate in the pro rata issue.		
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	N/A		
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A		
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	N/A		
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	To be advised.		
		<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Number</td> <td style="width: 50%;">+Class</td> </tr> </table>	Number	+Class
Number	+Class			

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

8	Number and <sup>+</sup> class of all <sup>+</sup> securities quoted on ASX (including the securities in section 2 if applicable)	149,575,801 (To be confirmed dependent upon acceptances) or such greater number as may be issued as a result of options being exercised prior to the Record Date by optionholders who elect to participate in the pro rata issue.	Ordinary Shares																												
9	Number and <sup>+</sup> class of all <sup>+</sup> securities not quoted on ASX (including the securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th data-bbox="703 703 986 741">Number</th> <th data-bbox="1007 703 1292 741"><sup>+</sup>Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="703 741 986 831">7,500,000</td> <td data-bbox="1007 741 1292 831">Options- exercisable at 34.017 cents by 31 October 2014</td> </tr> <tr> <td data-bbox="703 831 986 920">562,500</td> <td data-bbox="1007 831 1292 920">Options- exercisable at 31 cents by 30 November 2012</td> </tr> <tr> <td data-bbox="703 920 986 987">330,000</td> <td data-bbox="1007 920 1292 987">Options exercisable at 35 cents by 31 May 2013</td> </tr> <tr> <td data-bbox="703 987 986 1077">630,000</td> <td data-bbox="1007 987 1292 1077">Options exercisable at 35 cents by 30 November 2012</td> </tr> <tr> <td data-bbox="703 1077 986 1167">7,500,000</td> <td data-bbox="1007 1077 1292 1167">Options exercisable at 50 cents by 22 November 2015</td> </tr> <tr> <td data-bbox="703 1167 986 1256">1,225,000</td> <td data-bbox="1007 1167 1292 1256">Options exercisable at 30 cents by 30 June 2013</td> </tr> <tr> <td data-bbox="703 1256 986 1346">1,000,000</td> <td data-bbox="1007 1256 1292 1346">Options exercisable at 34 cents by 30 October 2013</td> </tr> <tr> <td data-bbox="703 1346 986 1435">6,100,000</td> <td data-bbox="1007 1346 1292 1435">Options exercisable at 40 cents by 17 September 2014</td> </tr> <tr> <td data-bbox="703 1435 986 1525">8,000,000</td> <td data-bbox="1007 1435 1292 1525">Options exercisable at 40 cents by 17 May 2017</td> </tr> <tr> <td data-bbox="703 1525 986 1615">10,000,000</td> <td data-bbox="1007 1525 1292 1615">Options exercisable at 40 cents by 22 June 2017</td> </tr> <tr> <td data-bbox="703 1615 986 1682">200,000</td> <td data-bbox="1007 1615 1292 1682">Options exercisable at 40 cents by 31 July 2014</td> </tr> <tr> <td data-bbox="703 1682 986 1771">3,000,000</td> <td data-bbox="1007 1682 1292 1771">Options exercisable at 14.5 cents by 2 September 2014</td> </tr> <tr> <td data-bbox="703 1771 986 1897">300,000</td> <td data-bbox="1007 1771 1292 1897">Options exercisable at 15.08 cents by 7 December 2014</td> </tr> </tbody> </table>	Number	<sup>+</sup> Class	7,500,000	Options- exercisable at 34.017 cents by 31 October 2014	562,500	Options- exercisable at 31 cents by 30 November 2012	330,000	Options exercisable at 35 cents by 31 May 2013	630,000	Options exercisable at 35 cents by 30 November 2012	7,500,000	Options exercisable at 50 cents by 22 November 2015	1,225,000	Options exercisable at 30 cents by 30 June 2013	1,000,000	Options exercisable at 34 cents by 30 October 2013	6,100,000	Options exercisable at 40 cents by 17 September 2014	8,000,000	Options exercisable at 40 cents by 17 May 2017	10,000,000	Options exercisable at 40 cents by 22 June 2017	200,000	Options exercisable at 40 cents by 31 July 2014	3,000,000	Options exercisable at 14.5 cents by 2 September 2014	300,000	Options exercisable at 15.08 cents by 7 December 2014	
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10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No dividend policy is currently in place since the Company is involved only in exploration.
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## Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-renounceable
13	Ratio in which the +securities will be offered	One for four
14	+Class of +securities to which the offer relates	Fully Paid Ordinary Shares
15	+Record date to determine entitlements	2 November 2012
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Yes
17	Policy for deciding entitlements in relation to fractions	Fractions will be rounded down.
18	Names of countries in which the entity has +security holders who will not be sent new issue documents  <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	Nil
19	Closing date for receipt of acceptances or renunciations	22 November 2012
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A

+ See chapter 19 for defined terms.

## Appendix 3B

### New issue announcement

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22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	8 November 2012
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	25 October 2012
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Despatch date	29 November 2012

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### Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities  
(tick one)

(a)  Securities described in Part 1

(b)  All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

#### Entities that have ticked box 34(a)

Additional securities forming a new class of securities N/A

Tick to indicate you are providing the information or documents

35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over

37  A copy of any trust deed for the additional +securities

#### Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

+ See chapter 19 for defined terms.

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40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)

Number	+Class

**Quotation agreement**

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.

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+ See chapter 19 for defined terms.

- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- ~~If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.~~

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:   
Company secretary

Date: 23 October 2012

Print name: Eric Moore

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