



DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

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# Desert Mines and Metals Limited

ABN 56 123 102 974

## PROSPECTUS

For the non-renounceable pro rata rights issue to Existing Shareholders of 1 (one) New Share for every 3 (three) Shares held on the Record Date at an issue price of 1.5 cents per New Share (**Offer**).

The Offer will raise up to approximately \$799,827 (assuming maximum subscription before costs of the Rights Issue and assuming that no Options are exercised prior to the Record Date).

**THIS OFFER UNDER THIS PROSPECTUS IS NOT UNDERWRITTEN**

***This document is important and requires your immediate attention. It should be read in its entirety. If you have any questions about the New Shares being offered under this Prospectus or any other matter, you should consult your stockbroker, accountant or other professional advisers.***

The New Shares offered by this Prospectus are considered to be of a speculative nature.

This Prospectus is dated 19 February 2014 and was lodged with ASIC on that date. Neither ASIC nor ASX Limited or their respective officers take any responsibility as to the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

## **CORPORATE DIRECTORY**

### **DIRECTORS**

Phillip Sidney Redmond Jackson (Chairman)  
Christopher Rashleigh (Managing Director)  
Martin James Pyle (Non Executive Director)  
Sang Bom Hong (Non Executive Director)

### **COMPANY SECRETARY**

Eric Gordon Moore

### **REGISTERED AND PRINCIPAL OFFICE**

271 Great Eastern Highway  
BELMONT WA 6104  
Telephone: 61 8 6143 1840  
Facsimile: 61 8 6162 9079  
Website: [www.desertminesandmetals.com.au](http://www.desertminesandmetals.com.au)

### **AUSTRALIAN SOLICITORS**

EMK Lawyers  
Suite 4, 236 Naturaliste Terrace  
Dunsborough WA 6281

### **SHARE REGISTRY**

Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
PERTH WA 6000  
Telephone: 61 8 9323 2000

### **AUDITORS**

RSM Bird Cameron Partners  
8 St Georges Terrace  
Perth WA 6000

### **ASX CODE**

Ordinary Shares: DSN

## INVESTMENT OVERVIEW

- The Offer under this Prospectus is an offer to Existing Shareholders of 1 (one) New Share in Desert Mines and Metals Limited (“Desert” or “the Company”) for every 3 (three) Shares held on the “Record Date” as defined herein.
- The issue price under the Offer for each New Share is 1.5 cents.
- The timetable for the Offer is as set out on page 6 of this Prospectus.
- The Offer is non-renounceable. Therefore if you do not take up your Entitlements in accordance with the Offer you will not receive any New Shares under the Rights Issue.
- The Rights Issue is not underwritten and there is no minimum subscription amount. There is a Shortfall Offer. Refer to section 1.8 in relation to the Shortfall Offer under this Prospectus.
- The Company is involved in minerals exploration and as such the Company does not have an established income producing business. Potential investors should be aware that subscribing for New Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in section 3 of this Prospectus. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.
- Details of the Company’s exploration projects can be obtained by viewing the Company’s continuous disclosure notices and other disclosures released on the ASX announcements platform under the code DSN.
- Exploration, including drilling, channel sampling, chip sampling and mapping is planned for the Company’s Daehwa project prospective for molybdenum (Mo) –tungsten (W) (“Daehwa Mo-W Project”) and the Jinan project prospective for gold (Au)- silver (Ag) (“Jinan AU-AG Project”) both of which are located in South Korea. Proceeds of the Rights Issue will be utilised in part to finance these exploration programmes, together with continuation of business development initiatives and for working capital. Details of the intended use of funds raised through the Rights Issue are set out in in Section 1.2 of this Prospectus.
- If the Offer is not Fully Subscribed and Aurora Minerals Limited takes up its full Entitlement, which it has indicated it intends to do, there is a likelihood that Aurora Minerals Limited’s percentage Shareholding in the Company will increase and hence its level of control of the Company will increase. See further details in Section 2.1 of this Prospectus.
- This Prospectus is a “transaction specific” prospectus issued under section 713 of the Corporations Act. As such this Prospectus is limited in terms of what it is required to include. Accordingly, to obtain a full understanding of the assets, liabilities and prospects of the Company, Shareholders will need to have regard to the continuous disclosures notices and other disclosures made by the Company under the ASX Listing Rules and the Corporations Act. See Section 4 for further details on the nature of a “transaction specific” prospectus and how to obtain further information about the Company.



## DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

Dear Shareholder

On behalf of the Board of Desert Mines and Metals Limited (“Desert” or the “Company”), I invite you to participate in a non- renounceable rights issue (“Rights Issue”) of 1 (one) New Share for every 3 (three) Shares that you hold on the Record Date, at an issue price of 1.5 cents per New Share.

### **Desert’s Projects**

Since acquiring its South Korean Daehwa Mo-W Project (prospective for molybdenum and tungsten) in May 2013, Desert has enjoyed considerable exploration progress. In addition, the Company has secured the rights to acquire, at very low cost, the Jinan Au-AG Project, discovered during the Second World War and prospective for gold (“Au”) and silver (“Ag”) and mined intermittently for gold and silver until the early 1970s.

- During 2013, the Company's wholly owned Korean subsidiary Suyeon Mining Co Ltd (“SMCL”) jointly funded (SMCL 30%, Korean Resources Corporation (“KORES”) 70%) a 4 hole drill programme at the Daehwa Mo-W project with KORES. KORES is the South Korean Government entity charged with the development of in-country mineral resources and overseas investment;
- This drilling has identified medium to high grade molybdenum (Mo) and tungsten (W) mineralisation associated with narrow quartz vein structures located down dip of historically mined Mo and W lodes;
- During 2013, Desert took the opportunity of logging and assaying the core from the previous year’s drill programme, which again had been a jointly funded programme between SMCL, then under the control of the previous owner, and KORES. The work also identified a number of additional broader zones of low grade molybdenum mineralisation and several narrow medium grade molybdenum and tungsten intervals;
- In late 2013 the Company commenced a Scoping Study to review early mine development opportunities, including drilling and underground sampling requirements in order to generate sufficient ore for an orderly development of the project. In addition a review of the optimal strategy for re-accessing the historic underground workings together with trial mining and bulk sampling options including detailed costing was commenced. The work entailed in this study is still underway and completion is anticipated during the 3<sup>rd</sup> quarter;
- Company representatives recently met with KORES to discuss further funding for exploration at the Daehwa Mo-W Project. KORES advised that exploration funding would continue for a further 3 years subject to yearly review of the exploration results.

KORES would contribute 70% of the funding and SMCL would be required to contribute 30%. The Company has verbally accepted this condition and a definitive exploration agreement is currently under preparation by KORES. It is expected to be available for review and comment, in the very near future.

- On 18 December 2013 the Company announced the signing of a Terms Sheet between Korean Resources Pty Ltd (“KRPL”), a wholly owned subsidiary of Desert, and the vendors of Mining Right Jinan 89, which contains the Dongjin and Indae mines which have in the past produced Au and Ag. The terms of the acquisition are reported fully in the 18 December 2013 announcement to the ASX. Historic production records reported grades averaging 17g/t Au, 232g/t Ag and 2.6% Cu over the life of mine, with the operations existing over several decades. Based on investigations to date by the Company’s geologists potential exists for mineralisation to extend below the current abandoned workings. The low cost entry price of this acquisition adds to and compliments Desert’s Korean Daehwa Mo-W Project and Jinan Au-AG Project and its plan to establish a strong foothold in South Korea;
- In late January 2014 SMCL applied to KORES for exploration support for NQ diamond drilling for its 2014 programmes at the Daehwa Mo-W Project and the Jinan Au-AG Project. Notification of the amount of this support is expected in early March 2014;
- The Company holds a 51% interest in the Camel Hills Joint Venture (“CHJV”) located in the Gascoyne region of Western Australia. The Joint Venture has undertaken tenement rationalisation in the CHJV area but is seeking to retain the Innouendy copper-nickel prospects plus the large block in the south covering the Far West and CN2 copper-nickel prospects and the adjoining (Bean Counter) magnetite-iron prospects. The Company has been granted Western Australian Department of Mines and Petroleum Exploration Incentive Scheme co-funding for further drilling at Innouendy where a second, deeper EM anomaly remains untested. The CHJV has yet to make a decision to commence this drilling program and the budget in this prospectus does not specifically allocate funds towards it.

### **Proceeds of the Rights Issue**

Exploration, including drilling, channel sampling, chip sampling and mapping is planned for the Company’s Daehwa Mo-W Project and Jinan Au-Ag Project. Proceeds of the Rights Issue will be utilised to finance these exploration programmes, together with continuation of business development initiatives and for working capital.

I encourage Shareholders to read the Prospectus carefully as it contains information relating to the Rights Issue and the risks associated with an investment in the Company.

If you have any queries, please contact your stockbroker, financial advisor or accountant.

Yours faithfully

Phillip Jackson  
Chairman

### ***Competent Person Statement***

*The information in this report that relates to Korean Exploration Targets and Exploration Results is based on information compiled by Mr Daniel Noonan, a Member of The Australian Institute of Mining and Metallurgy. Mr Noonan is engaged as a full time consultant to the Company providing exploration managerial services for the Company's Korean operations. Mr Noonan has sufficient 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 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Mr Noonan consents to the inclusion in the Prospectus of information compiled and interpreted by him in the form and context in which it now appears.*

*The background information on the location and history of the Daehwa Mo-W Project and the Jinan Au-AG Project has not materially changed since it was first described in earlier ASX releases of the Company that were issued prior to the adoption by the Company of the reporting practices outlined in the 2012 edition JORC code.*

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### Summary of Important Dates

Announcement to ASX of Rights Issue/Lodge Appendix 3B	17 February 2014
Prospectus lodged with ASIC and released to ASX	19 February 2014
Notice sent to Shareholders	21 February 2014
Ex date	24 February 2014
Record Date for determining Entitlements	28 February 2014
Opening date, despatch of Prospectus and Company announces despatch has been completed	6 March 2014
Closing Date for Receipt of Acceptances and application monies	21 March 2014
New Shares quoted on a deferred settlement basis	24 March 2014
ASX notified of under subscriptions	26 March 2014
Issue of New Shares	27 March 2014
Official quotation of New Shares and despatch of holding statements	28 March 2014

*Note: These dates are indicative only. The Directors reserve the right to vary the dates without prior notice, subject to compliance with the Listing Rules. The Directors may extend the Closing Date by giving at least 6 Business Days notice to the ASX prior to the Closing Date. As such, the date the New Shares are expected to commence trading on ASX may vary.*

### Important Notes and Statements

No New Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. New Shares issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus. The Company will apply for the New Shares offered pursuant to this Prospectus to be admitted to quotation on the Official List of the ASX.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The New Shares the subject of this Prospectus should be considered highly speculative.

Any application for New Shares or Shortfall Shares may only be submitted on an Entitlement and Acceptance Form accompanying this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe these restrictions. Failure to comply may violate securities laws. Applicants who are residents of countries other than Australia should consult their own professional advisors as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

### **Rounding**

Fractional Entitlements will be rounded down to the nearest whole number. All references to numbers of Shares to be issued pursuant to this Prospectus are expressed subject to rounding.

### **Key Definitions**

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in Section 6 of this Prospectus or as defined in the text where they first appear.

Unless otherwise stated, all figures in this Prospectus are quoted in Australian currency.

## Section 1 DETAILS OF THE RIGHTS ISSUE

### 1.1 Rights Issue

This Prospectus invites Existing Shareholders to participate in a pro-rata non-renounceable Rights Issue of 1 (one) New Share for every 3 (three) Shares held on the Record Date, at a price of 1.5 cents for each New Share. Fractional entitlements will be rounded down to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus and assuming all Entitlements are fully subscribed and that no Options are excised prior to the Record Date, a maximum of 53,321,806 New Shares will be issued pursuant to this Offer to initially raise up to approximately \$799,827 (before expenses of the Rights Issue estimated to be \$22,000 – refer to section 4.7 for further details on expenses of the Offer).

As at the date of this Prospectus, 159,965,418 Shares are on issue, and 56,850,000 unlisted Options have been granted. Existing holders of Options must exercise their Options prior to the Record Date in order to participate in the Rights Issue (which participation would be in respect of the underlying Shares of the Options exercised prior to the Record Date (as relevant)). Refer to section 2.1 for information on the exercise price and expiry dates of Options on issue.

A summary of the terms and conditions of the New Shares is set out in Section 4 of this Prospectus.

### 1.2 Purpose of the Rights Issue

The purpose of the Offer is to raise up to \$799,827.

Assuming the Offer is fully subscribed, the funds raised from the Offer are planned to be used in accordance with the table set out below:

	\$
Funds currently held as at 31 January 2014	429,520
Funds raised from this Rights Issue	799,827
<b>Total Funds after Rights Issue</b>	<b>1,229,347</b>
<b>Use of Funds</b>	
Exploration Diamond Drilling- Daehwa Mo-W Project	448,778
Exploration Diamond Drilling-Jinan Au-AG Project	132,546
Business development	59,491
Cost of the Issue	22,000
Working capital <sup>1</sup>	566,532
<b>TOTAL</b>	<b>1,229,347</b>

**Note 1:** To the extent that the Company places any Shortfall Shares through third party brokers, the broker commissions will be paid with funds allocated above as working capital.

The Rights Issue is not underwritten and is not subject to a minimum subscription amount. If a lower amount than the maximum subscription is raised then the use of funds will remain as per the above table, except for the amount of working capital which will be reduced accordingly.

The Company's major Shareholder, Aurora Minerals Limited (Aurora), has advised that it intends to subscribe for its full Entitlement (but not for any Shortfall Shares), and as a result, and together with the Company's current cash position, the Company is confident that it will be able to complete the exploration activities budgeted in the table above.

The above table has been prepared on the basis of the Company's current knowledge of its projects, and anticipated exploration.

The above table is a statement of current intentions as at the date of this Prospectus. The proposed application of the Company's current funds together with funds raised from the Rights Issue as set out above, reflects the Company's forward budgets and programs.

As with any budget or program, intervening events and new circumstances have the potential to affect the manner in which funds are actually applied. The Board reserves the right to alter the way funds are applied. The application of funds may, therefore, vary over time. Changes may result from reviews of the Company's operations, operating jurisdictions and personnel requirements.

The Company may also consider obtaining funding for certain of its projects through joint ventures, and also may consider from time to time relinquishing tenements which don't meet its requirements, thus releasing some of its funds for other exploration or mining projects including new projects.

### **1.3 Non-Renounceable**

As this Offer is non-renounceable, Existing Shareholders may not sell or transfer all or part of their Entitlement. Any portion of your Entitlement that you decide not to accept by the closing date will lapse and you will receive no benefit.

### **1.4 Opening and Closing Dates**

The Rights Issue will open for receipt of acceptances at 9.00am WST on the Opening Date and will close at 5.00pm WST on the Closing Date, or such later date as the Directors, at their absolute discretion and subject to compliance with the Listing Rules, may determine. The Company will give ASX notice of such later date at least 6 Business Days prior to the Closing Date.

### **1.5 Brokerage and Commission**

No brokerage or stamp duty will be payable by Existing Shareholders who take up their Entitlements.

If there is a Shortfall and the Company seeks to place the Shortfall with investors, brokerage may, in the normal course of business, be paid to brokers who assist in arranging such placement of the Shortfall.

## 1.6 **No Minimum Subscription**

There is no minimum subscription level for this Rights Issue.

## 1.7 **Entitlements and Acceptance**

The number of New Shares to which you are entitled (“**Entitlement**” or “**Rights**”) is shown in the accompanying Entitlement and Acceptance Form.

In determining entitlements, any fractional entitlement will be rounded down to the nearest whole number.

### ***Acceptance of Entitlement in Full***

If you wish to take up **all** of your Rights under the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form. Please ensure the completed Entitlement and Acceptance Form, together with your cheque in respect of the full application monies for your Entitlement (unless paying by BPay®<sup>1</sup> (**BPAY**), in which case, see below), is received by the Company’s Share Register at:

By delivery to:

**Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
PERTH WA 6000**

By post to:

**Computershare Investor Services Pty Limited  
GPO Box D182  
Perth WA 6840**

**no later than 5.00pm WST on the Closing Date** or such later date as the Directors advise. Cheques should be made payable to "**Desert Mines and Metals Ltd – Trust AC**" and crossed "Not Negotiable".

If you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your application monies.

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<sup>1</sup> ®Registered to BPAY Pty Limited ABN 69 079 137 518

### ***Partial Acceptance of Entitlement***

If you wish to take up **part** of your Rights pursuant to the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form and insert the number of New Shares for which you wish to accept the offer (being less than your Rights as specified on the Entitlement and Acceptance Form). If you wish to accept less than your full Rights then you may do so but the Company reserves the right to reject a partial acceptance which is less than a marketable parcel. Please ensure the completed Entitlement and Acceptance Form and your cheque in respect of the full application monies for New Shares you are applying for (unless paying by BPay®, in which case, see below) is received by the Company at:

By delivery to:

**Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
PERTH WA 6000**

By post to:

**Computershare Investor Services Pty Limited  
GPO Box D182  
Perth WA 6840**

**no later than 5.00pm WST on the Closing Date** or such later date as the Directors advise. Cheques should be made payable to **“Desert Mines and Metals Ltd – Trust AC”** and crossed "Not Negotiable".

### ***If paying by BPAY***

To accept your Entitlements and pay by BPAY, you should:

- Read this Prospectus in its entirety and seek professional advice if necessary; and
- Make your payment via BPAY for the number of New Shares out of your Entitlement you wish to subscribe for so that it is received by the Closing Date. You can only pay by BPAY if you are the holder of an account with an Australian financial institution.

If you choose to pay by BPAY you are not required to complete and return the Entitlement and Acceptance Form.

If you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY payment is received by the Share Registry by no later than 3:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.

### *Acceptance of Terms*

All applications for New Shares must be made on the Entitlement and Acceptance Form, unless you are paying by BPAY. Any completed Entitlement and Acceptable Form submitted to the Company prior to the Closing Date together with applicable application monies for New Shares will be treated as an offer from the applicant to acquire New Shares on the terms and conditions set out in the Prospectus.

### *Taxation Implications*

Shareholders should obtain independent advice on the taxation implications arising out of their participation in this Issue.

### *Enquiries*

If you have any queries regarding your Rights, please contact Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61 (03) 9415 4000 (outside Australia) from 8:30am to 5:00pm WST, Monday to Friday or your stockbroker or professional advisor.

**PLEASE NOTE IF YOU DO NOT ACCEPT YOUR RIGHTS IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT ABOVE, ANY RIGHTS NOT ACCEPTED WILL FORM PART OF THE SHORTFALL.**

## 1.8 **Shortfall Offer**

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

Existing Shareholders may apply for additional New Shares under the Shortfall Offer by completing the prescribed area on the Entitlement and Acceptance Form designated to the Shortfall and by paying the appropriate application monies in accordance with the instructions set out in the Entitlement and Acceptance Form.

Additionally, other investors who are not Existing Shareholders who wish to participate in the Shortfall, may apply for Shortfall Shares using the Shortfall Application Form attached to this Prospectus by following the instructions set out on the Shortfall Application Form and paying the appropriate application monies.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three (3) months following the Closing Date. All Shares issued under the Shortfall Offer shall be issued on the same terms as Shares being offered under the Offer (including the issue price).

The Directors reserve the right to determine the allottees of the Shortfall Shares at their absolute discretion. As such there is no guarantee that participating parties will receive any additional New Shares applied for under the Shortfall. The Directors reserve the right to issue to an Applicant a lesser number of Shortfall Shares than the number for which the Applicant applies, or to reject an Application, or to not proceed with placing the Shortfall. In that event, application monies will be refunded by the Company (without interest) in accordance with the provisions of the Corporations Act.

As mentioned previously, the Company's parent, Aurora Minerals Limited has advised that it intends to take up its Entitlement. Aurora Minerals Ltd has advised that it will not be applying for any Shortfall shares. Accordingly, in the event of a Shortfall, it is expected that none of the Shortfall shares will be applied for by Aurora Minerals Limited.

## 1.9 Underwriting

The offer is not underwritten.

## 1.10 Issue of New Shares

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the closing date of the Shortfall Offer.

The New Shares are expected to be issued by no later than 27 March 2014. Until issue of the New Shares under this Prospectus, the application monies will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the acceptance money will be for the benefit of the Company and will be retained by it irrespective of whether issue of the New Shares takes place.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

## 1.11 Quotation of New Shares

The Company has applied to the ASX for official quotation of the New Shares offered pursuant to this Prospectus (or will apply to ASX for official quotation of the New Shares to be offered pursuant to this Prospectus within 7 days following the date of this Prospectus).

If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not issue any New Shares and will repay all application monies as soon as practicable, without interest.

A decision by ASX to grant official quotation of the New Shares issued under this Prospectus is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the New Shares now offered for subscription.

## 1.12 Offer is made to Existing Shareholders

The Rights Issue is made to Existing Shareholders i.e. persons who are Shareholders on the Record Date.

## New Zealand

This document constitutes a pro-rata non-renounceable offering (Rights Issue) of up to 53,321,806 New Shares to Existing Shareholders including any Existing Shareholders with a registered address in New Zealand.

This document is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). This document may not contain all the information that an investment statement or prospectus prepared under New Zealand law is required to contain.

The New Shares are offered under this document only to any Existing Shareholders with a registered address in New Zealand, in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

If a shareholder with a registered address in New Zealand is no longer a registered holder of Shares in the Company on the Record Date, that shareholder will have no entitlement and may not accept the Offer.

Any person who is uncertain as to their entitlement or ability to accept the Offer should consult an authorised financial adviser in New Zealand for advice on their personal circumstances.

### **1.13 Market Prices of Shares on ASX**

The highest, lowest and last closing market sale prices of Shares on ASX during the 3 months immediately preceding the date of this Prospectus and the respective dates of those sales were \$0.02 on 15 and 30 January 2014 and \$0.016 on 17, 21 and 28 January 2014. The latest available market sale price of Shares on ASX immediately before the date of issue of this Prospectus was \$0.02 on 30 January 2014.

## Section 2 EFFECT OF THE RIGHTS ISSUE ON THE COMPANY

### 2.1 Principal Effects

If the maximum number of New Shares offered under this Prospectus is issued (assuming no Options are exercised prior to the Record Date), the number of Shares on issue will increase from 159,965,418 Shares to 213,287,224. If the Rights Issue is Fully Subscribed the New Shares will constitute 33.3% of the presently issued Share capital which currently totals 159,965,418 Shares.

If it is Fully Subscribed, the Rights Issue will also increase the Company's cash reserves by \$799,827 before expenses of the Issue to enable the Company to pursue its corporate objectives.

#### Potential Effect of the Rights Issue on Control of the Company

Based on publicly available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Aurora Minerals Limited	59,330,526	37.09%
Indo Gold Limited	14,033,334	8.77%
William Douglas Goodfellow	13,470,209	8.42%

As set out above, Aurora currently has a controlling Shareholding in the Company and holds a relevant interest in 59,330,526 Shares in the Company which currently represents 37.09% of the issued Shares in the Company. Aurora's current "voting power" in the Company, as defined in section 610 of the Corporations Act, is 37.09%.

If, as expected, Aurora takes up its full Entitlement under the Offer, Aurora's Shareholding will increase by 19,776,842 New Shares, to a total holding of 79,107,368 Shares.

As a result of the Rights Issue, there is potential for the voting power of Aurora to increase as a result of Aurora taking up its Entitlement. The extent of any increase will depend on the extent to which other Shareholders take up their Entitlements and the extent to which the Company is able to place any Shortfall Shares. By way of illustration, assuming Aurora takes up its full Entitlement:

- (a) if either all other Shareholders take up their Entitlement or the Company places the whole of all Shortfall Shares (if any), then the voting power of Aurora will not increase as a result of the Rights Issue; or
- (b) if no other Shareholders take up their Entitlement and the Company does not place any of the Shortfall then Aurora's voting power would increase to approximately 44% as a result of the Rights Issue; or

- (c) if some but not all Shareholders take up their Entitlement and the Company places only some of the Shortfall, then the resultant increase is Aurora's voting power would be somewhere between (a) and (b) depending on the number of New Shares ultimately issued pursuant to the Offer.

Aurora has advised it will not be applying for any Shortfall Shares. Accordingly, if there is a Shortfall, the Company will not issue any of the Shortfall Shares to Aurora.

In addition to the voting power of Aurora in the Company, the individual directors of Aurora also have "voting power" in the Company by virtue of their direct and indirect security holdings in the Company as disclosed in section 4.5 of this Prospectus.

### **The Intentions of Aurora**

Given the potential for an increase in Aurora's voting power in the Company if the Offer is not Fully Subscribed there is also a requirement to provide details of Aurora's current intentions for the Company.

Aurora has informed the Company that since it is presently supportive of the Company's current direction, Aurora does not currently intend to make any major changes to the direction and objectives of the Company.

Other than as disclosed in this Prospectus, the intentions of Aurora following the Offer are as follows:

- (a) does not currently intend to make any significant changes to the existing businesses of the Company;
- (b) it has no present intention to inject further capital into the Company, apart from a current intention to apply for its Entitlement. It does not intend to apply for Shortfall Shares;
- (c) it does not currently intend to become involved in decisions regarding the future employment of the Company's present employees and contemplates that they will continue in the ordinary course of business;
- (d) it does not currently intend for any property to be transferred between the Company and Aurora or any person associated with Aurora;
- (e) it does not currently intend to redeploy the fixed assets of the Company; and
- (f) it does not currently intend to change the Company's existing financial or dividend policies.

Aurora has indicated that its intentions mentioned in this section are based on the facts and information regarding the Company and the general business environment which are known to it as at the date of this Prospectus. Any future decisions will, of course, be reached by Aurora based on all material information and circumstances at the relevant time. Accordingly, if circumstances change or new information becomes available in the future, Aurora intentions could change.

Aurora has informed the Company that on the facts and circumstances presently known to it, it is supportive of the Company's current direction and has indicated that it is

presently willing to consider any proposals the Company's Board and management may put forward as to how Aurora could support and assist the Company towards its objectives.

The intentions and statements of future conduct set out above must also be read as being subject to the legal obligation of the Directors at the time, including any nominees of Aurora, to act in good faith in the best interest of the Company and for proper purposes and to have regard to the interests of Shareholders.

The implementation of Aurora's current intentions of its ownership of the Company will be subject to the law (including the Corporations Act), the ASX Listing Rules and the Company's constitution. In particular, the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and "related party" transactions will apply as Aurora is a related party of the Company.

### Capital Structure of the Company

The pro-forma capital structure of the Company following the Rights Issue pursuant to this Prospectus is set out below (assuming the Rights Issue is Fully Subscribed):

<b>Issued Share Capital</b>	<b>Number</b>
Existing Shares	159,965,418
Maximum number of New Shares to be issued pursuant to this Prospectus (Assuming no Options are exercised prior to the Record Date)	53,321,806
<b>Total Shares on issue after completion of Rights Issue</b>	<b>213,287,224</b>
<b>Options</b>	<b>Number</b>
ASX Listed Options	Nil
Non-quoted Options (assuming no Options are exercised prior to implementation of the Rights Issue) exercisable at various prices, expiring on various dates <sup>1</sup>	56,850,000
Options offered under the Offer	Nil
<b>Total Options currently on issue</b>	<b>56,850,000</b>

**Notes:**

1. 7,500,000 Options exercisable at 34.017 cents each on or before 31 October 2014, 7,500,000 Options exercisable at 50 cents each on or before 2 November 2014, 3,850,000 Options exercisable at 40 cents each on or before 17 September 2014, 8,000,000 Options exercisable at 40 cents each on or before 17 May 2017, 10,000,000 Options exercisable at 40 cents each on or before 22 June 2017, 200,000 Options exercisable at 40 cents each on or before 31 July 2014, 3,000,000 Options exercisable at 14.5 cents each on or before 2 September 2014, 300,000 Options exercisable at 15.08 cents each on or before 7 December 2014, 300,000 Options exercisable at 5 cents each on or before 22 August 2014, 8,100,000 Options exercisable at 3.43 cents each on or before 22 August 2015 and 8,100,000 Options exercisable at 4.57 cents each on or before 22 August 2016.

## Balance Sheet

Set out as follows is an Audited Balance Sheet of the Company as at 30 June 2013, an Unaudited Balance Sheet using the most recent Management Accounts of the Company (at 31 December 2013), and an Unaudited Proforma Balance Sheet prepared by adjusting the Unaudited Balance Sheet as at 31 December 2013 to reflect the financial effect of the following transactions as if they had occurred at 31 December 2013:

- (i) this Rights Issue of 53,321,806 New Shares at 1.5 cents each raising \$799,827 before expenses of this Issue; and
- (ii) expenses relating to this Rights Issue of approximately \$22,000.

The financial information is presented in abbreviated form insofar as it does not include all the disclosures required by the Australian Accounting Standards applicable to audited financial statements.

### BALANCE SHEET FOR COMPANY

#### PRO-FORMA REFLECTING PROPOSED RIGHTS ISSUE

	<b>Audited 30 June 2013</b>	<b>Unaudited Management Accounts 31 December 2013</b>	<b>Unaudited Proforma Reflecting Rights Issue</b>
	\$	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	1,326,904	510,384	1,288,211
Receivables	225,203	257,913	257,913
Other Assets	42,311	23,987	23,987
<b>Total Current Assets</b>	<u>1,594,418</u>	<u>792,284</u>	<u>1,570,111</u>
<b>Non Current Assets</b>			
Plant and equipment	31,946	27,993	27,993
<b>Total Non Current Assets</b>	<u>31,946</u>	<u>27,993</u>	<u>27,993</u>
<b>Total Assets</b>	<u>1,626,364</u>	<u>820,278</u>	<u>1,598,104</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	278,673	128,699	128,699
<b>Total Current Liabilities</b>	<u>278,673</u>	<u>128,699</u>	<u>128,699</u>
<b>Total Liabilities</b>	<u>278,673</u>	<u>128,699</u>	<u>128,699</u>
<b>Net Assets</b>	<u>1,347,691</u>	<u>691,579</u>	<u>1,469,405</u>
<b>EQUITY</b>			
Issued Capital	14,140,598	14,140,598	14,918,424
Share-based payments reserve	3,905,939	4,042,947	4,042,947
Accumulated losses	(16,698,846)	(17,491,966)	(17,491,966)
<b>Total Equity</b>	<u>1,347,691</u>	<u>691,579</u>	<u>1,469,405</u>

## **Section 3 RISK FACTORS**

### **3.1 Introduction**

This Section identifies areas the Directors regard as major risks associated with an investment in the Company. Investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in many other companies. Intending investors should read the whole of this Prospectus and the Company's past ASX announcements in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for New Shares.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business and its involvement in the exploration and mining industry. These risk factors are largely beyond the control of the Company and its directors because of the nature of the business of the Company. The following summary, which is not exhaustive, represents some of the major risk factors of which potential investors need to be aware.

### **3.2 Specific Risk Factors**

#### **(a) Summary of Specific Risks for Australian Operations**

The future viability and profitability of the Company as an exploration and mining company will be dependent on a number of factors, including, but not limited to, the following:

- commodity prices and exchange rates which are constantly changing;
- risks inherent in exploration and mining including, among other things, uncertainty as to whether exploration will be successful and lead to the identification of mineral deposits;
- risks associated with obtaining the grant of any or all of the Company's mining tenements or permits which are applications or renewal of tenements upon expiry of their current term including the grant of subsequent titles where applied for over the same ground. Generally the grant or refusal of tenements is subject to ministerial discretion and there is no certainty that the tenements applied for will be granted;
- the Company has projects in Western Australia where exploration and mining on its tenements are subject to various regulatory regimes and stakeholders' interests. These include; the Mining Act 1978 of Western Australia and the Commonwealth Government Native Title Act 1993 (Cth). Uncertainty associated with native title issues may impact on the Company's future plans;
- Commonwealth and State Legislation in Australia allow for the protection of sites of significance to Aboriginal custom and tradition. The Company proposes to carry out "clearance surveys" where appropriate prior to conducting any exploration work that would cause a disturbance to the land surface;
- the Company's Australian tenements are likely to contain some such sites of significance which would need to be avoided or steps taken to protect areas when carrying out field programmes. It is possible that such areas where sacred sites

exist may contain mineralisation or an economic resource which could therefore remain unexploited;

- from time to time, the Company may not meet its Department of Mines and Petroleum annual expenditure commitments on its exploration licences and may seek an exemption from expenditure on those licences for that particular year. Ultimately, the decision on whether such exemption is approved, a fine imposed, or the exploration licence is forfeited, lies with the Minister;
- in the event that exploration on an exploration tenement owned by the Company, or in which the Company has an interest, results in a potentially economic mineral deposit being discovered, the Company's ability to mine such deposit will be subject to, amongst other things, obtaining a production tenement. The grant or refusal of production tenements is generally subject to ministerial discretion and there is no certainty that a production tenement will be granted. Additionally, any application for a production tenement may be subject to the right to negotiate process under the Native Title Act, in which case the grant of a valid tenement may require either the successful negotiation of an agreement with the native title claimants or holders or alternatively a successful application to the National Native Title Tribunal that the production tenement be granted. Compliance with the right to negotiate process can result in significant delays to the implementation of any project. Negotiated native title agreements may adversely impact on the economics of projects depending on the nature of any commercial terms agreed;
- risks arising because of native title and aboriginal land rights and the rights of other indigenous groups in jurisdictions in which the Company operates which may affect the Company's ability to gain access to prospective exploration areas and to obtain production titles for mining. Compensatory obligations may be necessary in settling indigenous title claims lodged over any of the tenements held or acquired by the Company. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company;
- the risk of material adverse changes in the government policies or legislation of Australia or other countries in which the Company may choose to operate affecting the level and practicality of mining and exploration activities;
- environmental management issues with which the Company may be required to comply from time to time. There are very substantive legislative and regulatory regimes with which the Company would be required to comply in any mining development;
- poor weather conditions over a prolonged period which might adversely affect exploration activities;
- the availability of quality contractors and equipment for exploration, corporate and administration functions and the cost of engaging the same; and
- the risks associated with being able to negotiate access to land to conduct prospecting, exploration and mining which can be time and capital consuming and not guaranteed of success.

**(b) Summary of Specific Risks for South Korean Operations**

The future viability and profitability of the Company as an exploration and mining company will be dependent on a number of factors, including, but not limited to, the following:

- commodity prices and exchange rates which are constantly changing;
- risks inherent in exploration and mining including, among other things, uncertainty as to whether exploration will be successful and lead to the identification of mineral deposits;
- risks associated with the approval of a Mining Right Application (“MA”) and the subsequent grant of a “Mining Right” under the relevant legislation. The approval of a Mining Right Application is subject to the successful lodgement of a Mineral Deposit Survey (“MDS”). A MDS requires an applicant to provide geochemical proof that the minerals applied for are present in the applied area and meet specific criteria in terms of the physical dimensions of the mineralised zone and the grade of the mineralisation. These criteria are fully explained in the Korean Mining Industry Act and its subordinate legislation and vary depending on the commodity being applied for. The compilation of the MDS is the responsibility of a Government accredited agent licensed to undertake MDS surveys. The approval of the application is then made by the responsible Ministry, the Ministry of Trade, Industry and Energy (“MOTIE”). Upon approval of an MA the applicant must submit a prospecting plan within 1 or 2 years depending upon which of the old or new law applies. The applicant then has a 3 year prospecting period (“Prospecting Period”) to complete its proposed exploration programme as outlined in the prospecting plan. The “Prospecting Period” can be extended for an additional 3 years provided certain exploration work commitments have been met. Applications may not be approved across some areas such as National Parks or areas considered militarily sensitive. Each application is examined and a decision is made by the approving officer(s) as to whether the approval of the application is in the national interest. While conflicts rise from time to time in forested areas, most conflicts occur where planned exploration/mining activity is likely to interfere with residential, industrial or agricultural activities or where a major infrastructure programme such as motorway or railway is proposed. It should also be noted by the investor that mineral titles in South Korea are granted over an extremely small area of 1" latitude by 1" longitude or approximately 2.8 km<sup>2</sup>;
- risks associated with the filing of a Mine Plan Approval Application (“MPA”). At the completion of the 3 to 6 year prospecting period a tenement applicant must file an MPA. The MPA is lodged and approved at a local provincial level. The detail required in an MPA is dependent on the size of the applied area. A full environmental impact statement is required if the MPA relates to an area exceeding 1000m<sup>2</sup>. The MPA process requires the applicant to secure the approval of the majority of the local residents and this requires a substantial consultative process. If the MPA is on private land then land holders approval is also required and this generally means providing suitable financial compensation or land rent payments. If the land is public land then the approval of the relevant Government agency is required. In the majority of cases this is the Korean Forest Service. Upon the successful grant of an MPA the applicant then has 3 years in which to file a production report or show evidence of expenditure of South

Korean Won 100,000,000 (approximately AUD\$104,100 as at the date of this Prospectus based on a rate of AUD\$1/SKW960.61) on plant equipment for the purpose of mining. The Korean Mining Industry Act clearly sets out what constitutes acceptable expenditure. Mining Rights are granted for 20 year periods and these can be extended provided the applicant has met all statutory production reporting requirements during the life of the operation. The Local Government Office and the forest office will jointly set out the statutory conditions that must be met over the life of the operation This includes, but is not limited to, items such as: water management, tree clearing and end of mine reforestation, lodgement of rehabilitation bonds or lodgement of and maintenance of insurance to cover rehabilitation, waste and ore management, dust and noise management policies, explosive storage and handling;

- risks associated with the maintenance of mining rights including the requirements to meet conditions of the initial 3 to 6 year Prospecting Period, including meeting the expenditure commitment as set out in the prospecting plan and the successful filing of a “Report of Prospecting Activity”. The risk associated with meeting the requirements of the “Mine Plan Approval Application”, specifically filing a Production Report within the specified time frame in the event of the grant of the MPA;
- the risk of material adverse changes in the government policies or legislation of Korea affecting the level and practicality of the Company’s exploration activities;
- environmental management issues with which the Company may be required to comply from time to time. There are very substantive legislative and regulatory regimes with which the Company would be required to comply in any mining development;
- poor weather conditions over a prolonged period which might adversely affect exploration activities;
- the availability of suitable contractors and equipment for exploration, corporate and administration functions and the cost of engaging the same; and
- the risks associated with being able to negotiate access to both public and private land to conduct prospecting, exploration and mining which can be time and capital consuming and not guaranteed of success. The investor should be aware that close to 65% of South Korea is forested and that close to 70% of the forest covered land is privately owned. Further, the terrain is rugged with moderately high mountains and deep and often narrow valleys within which the bulk of the countries agricultural and industrial activity occurs.

**(c) Investment Risks**

Investors should regard the New Shares to be issued pursuant to this Prospectus as speculative because of the nature of the Company’s business. The Directors have identified factors that they believe are likely to affect the Company and the value of its securities, as presented below. However, this is not an exhaustive list and investors should seek professional advice for further clarification of the risks involved before deciding whether to apply for the New Shares offered for subscription in this Prospectus.

**(d) Valuation of Tenements**

The Company makes no representation with regards to a valuation of the tenements or permits or applications in which the Company has an interest.

**(e) Exploration and Mining**

Mining and exploration are high risk endeavours with the potential for high returns.

Exploration for metals and minerals is costly and involves exacting techniques which must be applied over extended periods of time. All of the Company's projects are at an exploration stage and the Company cannot foresee whether the planned exploration programmes will generate positive results. Furthermore, there is no guarantee that the Company's exploration activities will succeed in the discovery of a commercially viable deposit.

Mining risks include the uncertainties associated with projected continuity of a mineral deposit (once mining operations commence), fluctuations in grades and values of the product being mined along with variations in the value of the AUD\$ against KRW, and unforeseen operational and technical problems.

Exploration and mining may be adversely affected or hampered by a variety of non-technical issues such as limitations on activities due to seasonal changes, industrial disputes, land claims, heritage and environmental legislation, mining legislation, legislation and consents related to land access for prospecting, exploration and mining and many other factors beyond the control of the Company, including many of which are partly or wholly unforeseeable.

The cost of maintaining exploration and mining properties, which depends on the Company having access to sufficient development capital, poses another form of risk.

If exploration or mining programmes prove to be unsuccessful or are unable to be conducted for any reason, this could result in a diminution of the value of the tenements which could have a negative impact on the Company's Share price. In the event that programmes yield negative results, tenements may be relinquished either in total or in part thereof and/or the Company may withdraw from a joint venture or not exercise its option to acquire equity, even though a viable mineral deposit may be present.

The Company may also be exposed to risks associated with the financial failure or default by a participant in any of the joint ventures or other contractual relationships to which the Company is, or may become, a party.

**(f) Environmental Risk**

The Company's projects are subject to Australian and South Korean laws and regulations regarding environmental matters which means there are potential liability risks. The Company proposes to operate fully in accordance with applicable laws and conduct its programmes in a responsible manner with regard to the environment.

**(g) Capital Requirements**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs as the case may be.

**(h) Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the Company's strategic management depends substantially on its senior management and key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

**3.3 General Risks**

**(a) Share market Conditions**

The price of the Company's Shares quoted on the ASX is influenced by international and domestic factors. Should these produce a negative effect on the Share price, this may also affect the Company's ability to raise capital.

**(b) Commodity Price and Demand, and Exchange Rates**

The Company's projects were principally selected on the basis of their prospectivity for a variety of minerals and metals as perceived by the Company. Therefore it would be reasonable to expect that the Company's market appeal, and in the event it produces minerals and metals, its revenues, will be affected by the price of such commodities. Commodity prices fluctuate widely and are affected by numerous industry factors beyond the Company's control. These factors may include the demand for minerals and metals, forward selling by producers, central bank sales and purchases of commodities and production cost levels in major mineral and metal producing regions. Moreover, commodity prices are also affected by macro economic factors such as expectations regarding inflation, interest rates, currency exchange rates and global and regional demand and political and economic factors. Over time the Company's project interests may extend to other commodities and carry with them the risks associated with fluctuations in the price of such commodities.

**(c) General Economic Factors and Investment Risks**

General economic conditions may affect inflation and interest rates, which in turn may impact upon the Company's operating costs and financing. Other factors that may adversely affect the Company's activities in Australia, South Korea and any other overseas jurisdiction include changes in government policies, natural disasters, industrial disputes, and social unrest or war on a local or global scale.

**(d) Unforeseeable and Other Risks**

There are likely to be numerous unforeseeable risks which the Directors and the Company and its advisors are unaware or do not fully appreciate at any point in time. Over time or with the benefit of hindsight these sometimes become apparent. Such risks may be related to legislation, regulation, business conditions, land access, conflicts and disputes at a local or international level, miscalculations or misinterpretations of data and a variety of other unforeseen eventualities.

**(e) Liquidity of Shares**

There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in a market price being received which is less than the price that Shareholders paid to acquire their Shares.

**(f) Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of subscribing for Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

**(g) Operational Risks**

The operations of the Company may be affected by various factors including failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in extraction, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

**3.4 Speculative Nature of Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the operational and financial performance of the Company and the value of the New Shares offered under this Prospectus. Therefore, the New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the New Shares to be issued pursuant to this Prospectus.

The Company does not presently have an income producing business but is in the business of exploring for metals and minerals. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares in the Company.

## **Section 4 ADDITIONAL INFORMATION**

### **4.1 Legal Framework of This Prospectus**

This Prospectus is issued by the Company in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities.

Section 713 of the Corporations Act permits a company to issue a special simplified prospectus where the securities offered under the prospectus are continuously quoted securities within the meaning of the Corporations Act. The New Shares offered under this Prospectus are continuously quoted securities.

The Company is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations. Specifically as a listed company, the Company is subject to the Listing Rules of ASX which require, amongst other things, continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its securities.

In the preparation of this Prospectus, regard has been had to the fact that the Company is a "disclosing entity" for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors or their professional advisors.

### **4.2 Applicability of Corporations Act**

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act.

In summary, prospectuses issued under section 713 of the Corporations Act are required to contain information in relation to the effect of the offer of securities on the company, and the rights and liabilities attaching to the securities. It is not necessary to include in this type of prospectus general information in relation to all the assets and liabilities, financial position, profits and losses or prospects of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as in initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by the ASX, throughout the 12 months before the issue of this Prospectus.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at the ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any office of ASIC.

The New Shares to be issued under this Prospectus are in a class of Shares that were continuously quoted securities at all times in the 12 months before the issue of this Prospectus.

### 4.3 Information Available to Shareholders

The Company will provide a copy of each of the following documents, free of charge, to any person who so requests during the application period under this Prospectus:

- (h) the Annual Financial Report for the Company for the year ending 30 June 2013, being the most recent annual financial report lodged by the Company with ASIC; and
- (b) the following documents, being all the continuous disclosure notices used to notify ASX of information relating to the Company during the period after lodgement of the Full Year Financial Report of the Company for the year ending 30 June 2013 and before the date of lodgement of this Prospectus with ASIC.

Lodgement Date	Headline/Description of Announcement
10 October 2013	Annual Report to Shareholders
14 October 2013	Commencement of Scoping Study- Daehwa Project
17 October 2013	Notice of Annual General Meeting and Proxy form
22 October 2013	Quarterly Activities Report
29 October 2013	Quarterly Cash Flow Report
1 November 2013	Expiry of Unlisted Options
19 November 2013	Results of Annual General Meeting
29 November 2013	Scoping Study Update- Daehwa Project
18 December 2013	Terms Sheet Signed over Mining Right for Gold and Silver
19 December 2013	High Grade Molybdenum Drill Intercepts
15 January 2014	High Grade Molybdenum Results
21 January 2014	Amended High Grade Molybdenum Results
28 January 2014	Quarterly Activities Report
29 January 2014	Exceptional Drill Results- Daehwa Project
31 January 2014	Quarterly Cash Flow Report
4 February 2014	Outstanding Tungsten Results- Daehwa Project
17 February 2014	Non-renounceable Rights Issue and Appendix 3B

### 4.4 Rights Attaching to New Shares

The New Shares to be issued pursuant to this Prospectus will rank equally in all respects with existing Shares in the Company.

The Company has one class of Shares on issue, being fully paid ordinary shares in the capital of the Company.

The rights attaching to Shares in the Company are:

- set out in the Constitution of the Company, a copy of which is available for inspection during normal business hours at the registered business office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights attaching to Shares in the Company as set out in the Constitution.

**(a) Voting Rights**

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her registered in such Shareholder's name on the Company's Share register.

A poll may be demanded by the chairperson of the meeting, by any 5 Shareholders present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the Shares of all those Shareholders having the right to vote at that meeting.

**(b) Dividend Rights**

Subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. The Directors may set aside any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the Company's profits may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on shares which are participating shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

**(c) Transfer of Shares**

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by the ASX or in any other usual form or in any form approved by the Directors.

The Directors of the Company may refuse to register any transfer of Shares, other than a market transfer, where the Company is permitted or required to do so by the Listing Rules or ASTC Settlement Rules. The Company must not prevent, deal or interfere with the registration of a proper ASTC transfer in a manner which is contrary to the provisions of any of the Listing Rules or the ASTC Settlement Rules.

#### (d) Future Issues

Subject to the Listing Rules the Directors have the right to grant to any person options or other securities with rights of conversion to Shares or pre-emptive rights to any Shares for any consideration and for any securities.

#### (e) Variation of Rights

If at any time the Share capital is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, be varied or abrogated in any way with the consent in writing of the holders of three quarters of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. Any variation is subject to section 246B to 246E of the Corporations Act.

#### (f) Liquidation Rights

The Company has only issued one class of Shares, which all rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of Shareholders divide the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other securities in respect of which there is any liability.

#### (g) Meetings and Notice

Each Shareholder is entitled, should they so elect, to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution of the Company, the Corporations Act or the Listing Rules.

### 4.5 Interests of Directors and related parties

- (a) At the date of this Prospectus the relevant interest of each of the Directors in the Shares and Options of the Company are as follows:

<i>Director</i>	<i>No of Shares Held Directly</i>	<i>No of Shares Held Indirectly</i>	<i>No of Options</i>	<i>Entitlement under the Offer</i>
Phillip Jackson <sup>5</sup>	1,450,312	Nil	7,000,000 <sup>1</sup>	483,437
Chris Rashleigh	Nil	Nil	5,000,000 <sup>2</sup>	Nil
Martin Pyle <sup>5</sup>	625,000	Nil	5,000,000 <sup>3</sup>	208,333
Sang Hong	Nil	Nil	2,000,000 <sup>4</sup>	Nil

Notes:

1. 4,000,000 of these Options are held by Mr Jackson on behalf of Sebastian and Oliver Jackson, with the remaining 3,000,000 Options held in the name of Holihox Pty Ltd (PSR Super Fund A/C).
2. These Options are held in the name of C & MF Rashleigh (Chris Rashleigh Mining Super Fund A/C).

3. *These Options are held in the name of Martin James Pyle <M Pyle Superfund A/c> 500,000, Martin James Pyle and Georgina Isla Pyle <Pyle Family Trust A/c> 2,500,000, Whitby (2009) Pty Ltd. the remaining 2,000,000.*
4. *These Options are held in the name of Emchon Pty Ltd.*
5. *These Directors are also directors of Aurora Minerals Limited.*

(b) Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

(c) Except as disclosed below and elsewhere in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Rights Issue.

Over the last two years, no remuneration was paid or was payable to the Directors of the Company, except as noted below:

<b>Year Ended 30 June 2013</b>	<b>Base Emolument</b>	<b>Other</b>	<b>Superannuation</b>	<b>Consulting Fees</b>	<b>Options</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Phillip Jackson	-	-	-	22,500 <sup>1</sup>	-
Robert Taylor	-	-	-	34,375 <sup>2</sup>	-
Martin Pyle	-	-	-	37,500 <sup>3</sup>	69,655 <sup>6</sup>
Chris Rashleigh	-	-	-	10,000 <sup>4</sup>	-
Sang Hong <sup>5</sup>	-	-	-	-	-

*Notes:*

1. *These consultancy fees were paid to Holihox Pty Ltd, a company of which Phillip Jackson is the sole director and shareholder.*

2. *These consultancy fees were paid to Able Kids Pty Ltd, a company of which Robert Taylor is a director and shareholder. Dr Taylor resigned as a director on 31 May 2013.*
3. *These consultancy fees were paid to Whitby (2009) Pty Ltd, a company of which Martin Pyle is the sole director.*
4. *Chris Rashleigh was appointed on 31 May 2013. These consultancy fees were paid to Chris Rashleigh Mining Pty Ltd, a company of which Chris Rashleigh is a director.*
5. *Sang Hong was appointed on 1 July 2013. Consultancy fees will be paid to Emchon Pty Ltd, a company of which Sang Hong is the sole director.*
6. *Deemed value of Options as at the date granted in 2010 pursuant to Shareholder approval and vested during the year ending 30 June 2013.*

<b>Year Ended 30 June 2012</b>	<b>Base Emolument</b>	<b>Other</b>	<b>Superannuation</b>	<b>Consulting Fees</b>	<b>Options</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Phillip Jackson	-	-	-	45,000 <sup>1</sup>	-
Robert Taylor	-	-	-	75,000 <sup>2</sup>	-
Martin Pyle	-	-	-	87,502 <sup>3</sup>	69,655 <sup>5</sup>
Sang Hong <sup>4</sup>	-	-	-	-	-

Notes:

1. *These consultancy fees were paid to Holihox Pty Ltd, a company of which Phillip Jackson is the sole director and shareholder.*
2. *These consultancy fees were paid to Able Kids Pty Ltd, a company of which Robert Taylor is a director and shareholder.*
3. *These consultancy fees were paid to Whitby (2009) Pty Ltd, a company of which Martin Pyle is the sole director.*
4. *Sang Hong was appointed on 1 July 2013. Consultancy fees will be paid to Emchon Pty Ltd, a company of which Sang Hong is the sole director.*
5. *Deemed value of Options as at the date granted in 2010 pursuant to Shareholder approval and vested during the year ending 30 June 2012.*

The consultancy fees paid during each of the financial years ending 30 June 2012 and 2013 respectively, detailed above, were paid pursuant to the following consulting agreements:

- the Company entered into a consulting agreement with Holihox Pty Ltd (ACN 009 262 346) ("**Holihox**"), a company associated with Phillip Jackson, on 11 June 2007, and further revised on 13 April 2010, 13 September 2012, 1 September 2013 and 11 December 2013. Pursuant to this agreement, Holihox was engaged a consultant to the Company commencing from the date the

Company's securities were admitted to the Official List of ASX. Under this agreement, Holihox agrees to procure Phillip Jackson to perform certain duties for the Company. The Company may terminate this agreement for any reason by providing 6 months written notice. Holihox may terminate the agreement for any reason by providing 6 months written notice. The Company must pay consulting fees of \$25,000 per annum to Holihox, and \$10,925 including superannuation to Mr Jackson for his role as non executive chairman. Fees have been reduced by 30% from 1 December 2013 for a period of 6 months; and

- the Company entered into a consulting agreement with Able Kids Pty Ltd (ACN 086 812 400) ("**Able Kids**"), a company associated with Robert Taylor, on 11 June 2007, and further revised on 13 April 2010 and 13 September 2012. Pursuant to this agreement, Able Kids was engaged as a consultant to the Company commencing from the date the Company's securities were admitted to the Official List of ASX. Under this agreement, Able Kids agrees to procure Robert Taylor to perform certain duties for the Company. The Company may terminate this agreement for any reason by providing 6 months written notice. Able Kids may terminate the agreement for any reason by providing 6 months written notice. The Company must pay consulting fees of \$25,000 per annum to Able, revised down from \$75,000 on 13 September 2012. Dr Taylor resigned as a director of the Company on 31 May 2013, and the agreement was terminated with effect from 1 September 2013; and
- the Company entered into a consulting agreement with Whitby (2009) Pty Ltd (ABN 40 135 920 311) ("**Whitby**"), a company associated with Martin Pyle, on 6 May 2010, and revised on 10 September 2011, 13 September 2012, 1 September 2013 and 11 December 2013. Pursuant to this agreement, Whitby was engaged as a consultant to the Company commencing on 1 June 2010. Under this agreement, Whitby agrees to procure Martin Pyle to perform certain duties for the Company. The Company may terminate this agreement for any reason by providing 6 months written notice. Whitby may terminate the agreement for any reason by providing 2 months written notice. The Company must pay consulting fees of \$20,000 per annum to Whitby, and \$10,925 including superannuation to Mr Pyle for his role as non executive director. Fees have been reduced by 30% from 1 December 2013 for a period of 6 months; and
- the Company entered into a consulting agreement with Chris Rashleigh Mining Pty Ltd (ABN 97 050 287 468) ("**Rashleigh**") on 1 June 2013 and revised on 11 December 2013. Pursuant to this agreement, Rashleigh was engaged as a consultant to the Company commencing on 1 June 2013. Under this agreement, Rashleigh agrees to procure Chris Rashleigh to perform certain duties for the Company. The Company may terminate this agreement for any reason by providing 4 months written notice. Rashleigh may terminate the agreement for any reason by providing 2 months written notice. The Company must pay consulting fees of \$120,000 per annum to Rashleigh. Fees have been reduced by 30% from 1 December 2013 for a period of 6 months; and

- Mr Sang Bom Hong was appointed to the Board effective from 1 July 2013. Emchon Pty Ltd (“**Emchon**”) of which Mr Hong is a director, was retained as a consultant from that date. Emchon has agreed to procure Mr Hong to perform certain duties for the Company. From 1 July 2013 Emchon will be paid annual consulting fees of \$20,400. Additionally Mr Hong will be paid fees for his role as non executive director of the Company of \$10,925 per annum, including superannuation. The Company may terminate this agreement for any reason by providing 1 months written notice. Emchon may terminate the agreement for any reason by providing 1 months written notice. On 11 December 2013, the fees payable to Mr Hong and to Emchon were reduced by 30% from 1 December 2013 for a period of 6 months.

The Directors are also entitled to be reimbursed for travelling and other expenses which they may properly incur in carrying out their duties and any Director performing extra or special professional services for the Company may be remunerated for those services.

Two of the current Directors, namely Messrs Phillip Jackson and Martin Pyle, are also security holders and directors in the Company’s major Shareholder, Aurora Minerals Limited. At the date of this Prospectus the relevant interests of each of the directors of Aurora in the shares and options of Aurora are as follows:

<i>Director</i>	<i>No of Shares Held Directly</i>	<i>No of Shares Held Indirectly</i>	<i>No of Options</i>
Phillip Jackson	2,050,000	Nil	4,500,000
Dr Robert Taylor	3,350,000	100,000	6,000,000
Martin Pyle	Nil	942,231	3,000,000

Note

1. Apart from as set out above, no other director of the Company has an interest in the shares and options of Aurora.

The Company Secretary of Desert Mines and Metals Limited and Aurora Minerals Limited, Eric Moore, holds shares and options in each company as follows:

	<i>No of shares Held Directly</i>	<i>No of shares Held Indirectly</i>	<i>No of options held Indirectly</i>
Aurora	Nil	175,000	Nil
Desert	Nil	222,750	3,500,000

#### **4.6 Interests of experts and advisers**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company; or

- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the two (2) years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (d) the formation or promotion of the Company; or
- (e) the Offer.

EMK Lawyers has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay EMK Lawyers \$5,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, EMK Lawyers has been paid fees totalling \$20,076 (excluding GST and disbursements) for legal services provided to the Company.

RSM Bird Cameron Partners is the auditor of the Company's balance sheet dated 30 June 2013, details of which are included in this Prospectus. RSM Bird Cameron Partners was paid \$15,500 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, RSM Bird Cameron Partners has been paid fees totalling \$42,500 (excluding GST and disbursements) for audit and non-audit services provided to the Company.

#### **4.7 Expenses of the Issue**

The approximate expenses of the Rights Issue are \$22,000 comprising:

(g) ASIC Lodgement Fees	\$2,200
(h) ASX Listing Fees	\$4,200
(i) Share registry	\$8,600
(j) Legal fees, printing, postage and sundries	<u>\$7,000</u>
<b>TOTAL</b>	<b>\$22,000</b>

These expenses are payable by the Company.

## **4.8 Consents**

Each of the parties referred to in this Section 4.8:

- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 4.8; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 4.8.

EMK Lawyers has given its written consent to being named as the solicitors to the Company in this Prospectus. EMK Lawyers has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

RSM Bird Cameron Partners has given its written consent to being named as auditor to the Company in this Prospectus. RSM Bird Cameron Partners has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Aurora Minerals Limited has given its written consent to the statements made about Aurora Minerals Limited in this Prospectus in the form and context in which they are included. Aurora Minerals Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Limited has given its written consent to be named in this Prospectus. Computershare Investor Services Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## **4.9 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

## **4.10 Privacy Disclosure Statement**

The Company collects information about each person who applies for New Shares under this Prospectus from an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each applicant for New Shares agrees that the Company may use the information in the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share registry, the Company's related bodies corporate, agents, contractors and third party service providers, (including mailing houses), the ASX, ASIC and other regulatory authorities.

If an applicant for New Shares becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder

(name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application for New Shares.

#### **4.11 Electronic Prospectus**

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

The Offer is available to Existing Shareholders or offerees of any Shortfall Shares who receive this electronic prospectus in Australia.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on +61 8 6143 1840 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

Alternatively, you may obtain a copy of this Prospectus from the Company's website at [www.desertminesandmetals.com.au](http://www.desertminesandmetals.com.au)

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### **4.12 CHESS and Issuer Sponsorship**

The Company will not be issuing share certificates. The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **4.13 Privacy Act**

If you complete an Application for Shares, you will be providing personal information to the Company (directly or by the Share Registry). The Company collects, holds and will use that information to assess your Application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or the Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

## **Section 5 DIRECTORS' AUTHORISATION**

This Prospectus is issued by Desert Mines and Metals Limited and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each of the Directors has consented to the lodgement of this Prospectus with ASIC.

This Prospectus is signed for and on behalf of the Company by:

**Phillip Jackson**  
**Chairman**

Dated: 19 February 2014

## Section 6 DEFINED TERMS

Capitalised terms used in this Prospectus shall have the following meanings unless the context otherwise requires:

"**Application Form**" means the "**Entitlement and Acceptance Form**" for New Shares accompanying this Prospectus and "**Applicant**" and "**Application**" have comparative meanings;

"**ASIC**" means the Australian Securities & Investments Commission;

"**ASTC**" means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532;

"**ASTC Settlement Rules**" means the operating rules of ASTC;

"**ASX**" means ASX Ltd as operator of the Australian Securities Exchange;

"**AUD\$**" means Australian dollars;

"**Business Day**" means every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that the ASX declares is not a business day;

"**Closing Date**" means 5.00 WST on the date specified in the timetable set out after the table of contents in this Prospectus (unless extended);

"**Company**" or "**Desert**" means Desert Mines and Metals Limited ACN 123 102 974;

"**Corporations Act**" means the Corporations Act 2001 (Cth) as amended from time to time;

"**Daehwa Mo-W Project**" means the Company's exploration project located in Daehwa, South Korea;

"**Directors**" means the directors of the Company;

"**Entitlement**" or "**Rights**" means the entitlement of an Existing Shareholder to apply for New Shares under the Rights Issue;

"**Entitlement and Acceptance Form**" or "**Form**" means the Entitlement and Acceptance Form accompanying this Prospectus;

"**Ex Date**" means 24 February 2014 being the date from which Shares trade without the Entitlement;

"**Existing Shareholder**" means those Shareholders of the Company whose details appear on the Company's register of Shareholders as at the Record Date;

"**Fully Subscribed**" means that all New Shares offered under this Prospectus are subscribed for either by Existing Shareholders or by the placement of the Shortfall;

"**Jinan AU-AG Project**" means the Company's exploration project located in Jinan, South Korea.

**“KRW”** means Korean Won;

**“Issue”** means the issue of New Shares pursuant to this Prospectus;

**"Listing Rules"** means the Listing Rules of ASX;

**"New Shares"** means the Shares to be issued pursuant to this Prospectus;

**“Offer”** means the offer of New Shares pursuant to this Prospectus;

**“Opening Date”** means the opening date for the Offer as specified in the timetable set out after the table of contents in this Prospectus;

**"Option"** means an option to acquire one Share;

**"Prospectus"** means this prospectus dated 19 February 2014;

**"Record Date"** means 5.00pm WST on 28 February 2014;

**“Rights”** means the entitlement of an Existing Shareholder to apply for New Shares under the Rights Issue;

**"Rights Issue"** means the pro-rata non- renounceable entitlement issue pursuant to this Prospectus of up to approximately 53,321,806 New Shares (assuming no existing Options are exercised prior to the Record Date) on the basis of 1 (one) New Share for every 3 (three) Shares held on the Record Date, at an issue price of 1.5 cents per New Share, to raise up to approximately \$799,827 before expenses of the Issue;

**"Section"** means a section of this Prospectus;

**"Share"** means an ordinary fully paid share in the capital of the Company;

**“Shareholder”** means a holder of Shares;

**“Shortfall Application Form”** means the shortfall application form either attached to or accompanying this Prospectus.

**"Shortfall" or “Shortfall Shares”** means the New Shares not applied for under the Offer;

**“Shortfall Offer”** means the offer of the Shortfall on the terms and conditions set out in section 1.8 of this Prospectus; and

**"WST"** means Australian Western Standard Time.