



DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

DESERT MINES AND METALS LIMITED

ACN 123 102 974

PROSPECTUS

For the non-renounceable pro rata rights issue to Existing Shareholders of up to 29,915,160 fully paid ordinary New Shares in Desert Mines and Metals Limited, on the basis of one New Share for every four Shares held on the record date of 2 November 2012, at an issue price of 3 cents per New Share, to raise up to approximately \$897,455 before costs of the Rights Issue.

THIS RIGHTS ISSUE IS NOT UNDERWRITTEN

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.

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

This Prospectus is dated 25 October 2012. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("ASIC") on the same date. Neither ASIC nor ASX Limited or their respective officers take any responsibility as to the contents of this Prospectus.

CORPORATE DIRECTORY

DIRECTORS

Phillip Sidney Redmond Jackson (Chairman)
Robert Spencer Taylor (Executive Director)
Martin James Pyle (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

AUSTRALIAN SOLICITORS

Mark Edwards
4 Kangaroo Place
YALLINGUP WA 6282

SHARE REGISTRY

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

ASX CODE

Ordinary Shares: DSN

INVESTMENT OVERVIEW

- The Offer under this Prospectus is an offer to Existing Shareholders of one New Share in Desert Mines and Metals Limited (“Desert” or “the Company”) for every four shares held on the “Record Date” as defined herein.
- The issue price under the Offer for each New Share is 3 cents.
- The timetable for the Offer is as set out on page 5 of this Prospectus.
- The Offer is non-renounceable. Therefore if you do not take up your Entitlements you will obtain no benefit from the Rights Issue.
- The Rights Issue is not underwritten and there is no minimum subscription amount. The Company’s controlling shareholder, Aurora Minerals Ltd, has advised that it intends to take up its Entitlement in full. The Directors reserve the right to issue any Shortfall at their discretion (but there is no certainty that they will be able to do so).
- The Company is involved in minerals exploration and as such the Company does not have an established income producing business. Minerals exploration companies are subject to many risks. See Section 3 of this Prospectus for a summary of the main risks. Any investment in the Company is speculative in nature. Details of the Company’s exploration projects can be obtained by viewing the continuous disclosure notices and other disclosures referred to below.
- Drilling is planned for exciting nickel, copper and gold targets and proceeds of the Rights Issue will be utilised to finance the Company’s exploration and business development programmes as well as for working capital. Details of the intended use of funds raised through the Rights Issue appear in Section 1.2 of this Prospectus.
- If the Offer is not Fully Subscribed there is a likelihood that Aurora Minerals Ltd’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, I invite you to participate in a non-renounceable rights issue (“Rights Issue”) of one New Share for every four Shares that you hold on the Record Date, at an issue price of 3 cents per New Share.

Desert’s Projects

Desert has enjoyed exploration success within the Camel Hills Joint Venture (“Camel Hills JV”) on several fronts:

- Reverse Circulation (“RC”) drill testing iron ore targets; zones of significant iron mineralisation over broad widths were reported and several of the targets are worthy of more detailed drilling to potentially generate resources. A number of other targets remain untested by drilling;
- At the Innouendy Prospect two “bulls-eye” targets believed to be prospective for nickel and copper mineralisation were defined from interpretation of the heliborne electromagnetic (VTEM) survey completed in 2011. Four RC holes were drilled to test the VTEM targets, but no significant mineralisation was intersected nor did the logging of the holes detect any feature which might have explained the VTEM conductor; notwithstanding anomalous nickel and chrome soil geochemistry reported immediately to the west of the anomaly.

Desert recently commissioned geophysical contractors to undertake a ground electromagnetic (EM) survey over the interpreted nickel and copper target. The preliminary EM data collected from the ground based survey has been modelled by independent geophysical consultants and indicates the conductor was not effectively tested by the first pass drilling. The coincidence of a strong EM conductor, anomalous nickel and chrome soil geochemistry and favourable structural setting reinforces the Innouendy Prospect as a high priority target. Desert is mobilising a drilling rig to test the conductor once the EM survey and final targeting are completed; and,

- Bringing several gold targets including the Main Grid Prospect to drill ready status and receiving State Government Co-funding support. An application for drill funding support from the State Government has been successful and a grant pursuant to its Exploration Incentive Scheme’s Co-funded Exploration Drilling Program awarded, which is expected to contribute up to \$100,000 towards the direct drilling costs. The approval process and preparations for drilling this target have commenced.

Proceeds of the Rights Issue

Drilling is planned for exciting nickel, copper and gold targets and proceeds of the Rights Issue will be utilised to finance the Company’s exploration and business development programmes as well as 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 Prospectus that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Robert S Taylor, a Member of The Institute of Materials, Minerals and Mining. Executive Director of Desert Mines and Metals Limited, Robert Taylor, is employed through his consulting company Able Kids Pty Ltd.

Robert Taylor has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which is being undertaken, to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Robert Taylor consents to the inclusion in this Prospectus of the matters based on this information in the form and context in which it appears.

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Summary of Important Dates

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

Note: These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice, subject to compliance with the Listing Rules. The Directors may extend the Closing Date by giving at least 6 Business Days notice to the ASX prior to the Closing Date.

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 listed on ASX.

An application for New Shares will only be accepted on the 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.

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.

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 up to 29,915,160 New Shares on the basis of one New Share for every four Shares held on the Record Date, at a price of 3 cents for each New Share. If fully subscribed the Rights Issue will raise \$897,455 (less expenses of the Rights Issue estimated to be \$23,700).

As at the date of this Prospectus, 119,660,641 Shares are on issue, and 46,347,500 unlisted Options have been granted. Existing holders of Options will not be entitled to participate in the Rights Issue. However, they may exercise their Options prior to the Record Date if they wish to participate in the Rights Issue.

The Rights Issue is not underwritten, but the Directors reserve the right, at their discretion, to issue any remaining Shortfall shares in the event that the Rights Issue is not fully subscribed. In that instance any Shortfall shares will be issued in accordance with the requirements of Exception 3 in Listing Rule 7.2. This prospectus will also be used to provide disclosure in connection with any offer of Shortfall shares.

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 Rights Issue is to raise funds to fund exploration of the Company's tenements, business development and working capital. Subject to the Company successfully raising the funds from this Rights Issue (assuming it is Fully Subscribed), it is intended to use the funds raised, and the funds presently held by the Company, as follows:

	\$
Funds currently held as at 30 September 2012	1,437,000
Funds raised from this Rights Issue	897,455
Total Funds after Rights Issue	2,334,455
Use of Funds	
Exploration	650,000
Business development	200,000
Cost of the Issue	23,700
Working capital	1,460,755
TOTAL	2,334,455

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, has advised that it intends to subscribe for its full Entitlement, and as a result, in addition to 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, and detailed in the Chairman's Letter at the front of this Prospectus.

The above table has been prepared on the basis of:

- the Company's current knowledge of its projects, and anticipated increased exploration;
- an expectation that encouraging results and appropriate land access will be achieved where necessary, leading to the various stages of activities; and
- the Company's business development strategies to seek out and evaluate and where appropriate acquire new projects.

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. The budgets include expenditure to cover a significant part of the Department of Mines and Petroleum expenditure commitments on the Company's tenements, after allowing for relinquishments in the normal course of business.

As with any budget, 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 from time to time in 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 8 November 2012 and will close at 5.00pm WST on 22 November 2012, 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, is received by the Company at:

**Computershare Investor Services Pty Limited
GPO Box 505
MELBOURNE VIC 3001**

not later than 5.00pm WST on 22 November 2012 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".

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 is received by the Company at:

**Computershare Investor Services Pty Limited
GPO Box 505
MELBOURNE VIC 3001**

not later than 5.00pm WST on 22 November 2012 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®¹

Only Existing Shareholders may accept their Entitlements and pay 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.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5:00pm (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 application 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®Registered to BPAY Pty Limited ABN 69 079 137 518

1.8 **Shortfall and Applications for Shortfall Shares**

If you do not wish to take up any part of your Entitlement under the Rights Issue, you are not required to take any action. That part of your Rights not taken up will form part of the Shortfall and may be allocated by the Directors in their discretion. In these circumstances, you will receive no benefit.

If you do decide to take up your Rights and wish, in addition, to apply for additional New Shares out of the Shortfall, you may do so by completing the relevant section on the Entitlement and Acceptance Form ('Number of additional shares applied for:') for the number of Shortfall shares you wish to apply for. The Company's intention is that in the allocation of any Shortfall, preference will be given to Existing Shareholders who wish to acquire Shortfall shares in addition to their Entitlements. In the event that the Shortfall is insufficient in size to satisfy all applications by Existing Shareholders for Shortfall shares, the Company reserves the right to accept any applications for Shortfall shares for less than the full number of Shortfall shares applied for (in which case the Shortfall shares will be allocated between such Existing Shareholder applicants pro rata to their respective Shareholdings on the Record Date). The Directors retain discretion with regard to the issue or otherwise of any Shortfall shares if you apply for them, such that you do not have an entitlement to Shortfall shares except to the extent the Directors determine to accept an application by you for such Shortfall shares.

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, none of the Shortfall shares will be issued to Aurora Minerals Limited.

1.9 **Issue and Allotment of New Shares**

The New Shares are expected to be allotted and issued by no later than 29 November 2012. Until allotment and issue of the New Shares under this Prospectus, the acceptance money 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 allotment of the New Shares takes place.

1.10 **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 allot or 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 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.

1.11 **No Issue of New Shares after 13 months**

No New Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

1.12 **Offer is Made to Existing Shareholders**

The Rights Issue is extended to Shareholders on the Record Date.

New Zealand

This document constitutes a pro-rata non-renounceable offering (Rights Issue) of up to 29,915,160 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 and lowest 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 \$0.048 on 27 September 2012 and \$0.016 on 13 September 2012. The latest available market sale price of Shares on ASX immediately before the date of issue of this Prospectus was \$0.04 on 4 October 2012.

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, the number of Shares will increase by 29,915,160 to 149,575,801. If the Rights Issue is Fully Subscribed the New Shares will constitute 25% of the presently issued Share capital which currently totals 119,660,641 Shares.

If it is Fully Subscribed, the Rights Issue will also increase the Company's cash reserves by \$897,455 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

The Company's parent, Aurora Minerals Limited ("Aurora"), currently has a controlling shareholding in the Company and holds a relevant interest in 47,464,421 Shares in the Company which currently represents 39.67% 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 39.67%.

If, as expected, Aurora elects to take up its full Entitlement under the Offer, Aurora's shareholding will increase by 11,866,105 New Shares, to a total holding of 59,330,526 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 any Shortfall, 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 45.11% 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.

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):

Issued Share Capital	Number
Existing Shares	119,660,641
Maximum number of New Shares to be issued pursuant to this Prospectus (Assuming no Options exercised)	29,915,160
Total Shares on issue after completion of Rights Issue	149,575,801
Options	Number
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	46,347,500
Total Options currently on issue	46,347,500

Balance Sheet

Set out as follows is an Audited Balance Sheet of the Company as at 30 June 2012 and an Unaudited Proforma Balance Sheet prepared by adjusting the Audited Balance Sheet as at 30 June 2012 to reflect the financial effect of the following transactions as if they had occurred at 30 June 2012:

- (i) This Rights Issue of 29,915,160 New Shares at 3 cents each raising \$897,455 before expenses of this Issue;
- (ii) Expenses relating to this Rights Issue of approximately \$23,700.

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

	30 June 2012 \$	Unaudited Proforma \$
ASSETS		
Current Assets		
Cash and cash equivalents	1,562,009	2,435,764
Receivables	292,099	292,099
Other Assets	18,362	18,362
Total Current Assets	<u>1,872,470</u>	<u>2,746,225</u>
Non Current Assets		
Plant and equipment	60,700	60,700
Total Non Current Assets	<u>60,700</u>	<u>60,700</u>
Total Assets	<u>1,933,170</u>	<u>2,806,925</u>
LIABILITIES		
Current Liabilities		
Payables	91,913	91,913
Total Current Liabilities	<u>91,913</u>	<u>91,913</u>
Total Liabilities	<u>91,913</u>	<u>91,913</u>
Net Assets	<u>1,841,257</u>	<u>2,715,012</u>
EQUITY		
Issued Capital	13,061,977	13,935,732
Share-based payments reserve	3,908,761	3,908,761
Accumulated losses	(15,129,481)	(15,129,481)
Total Equity	<u>1,841,257</u>	<u>2,715,012</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 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.

While the Company's current operations are in Australia, it has an active business development program which could include acquisitions of projects in other countries to which all of the risks outlined in this Prospectus apply in addition to other risks relative to such projects or countries.

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 General Risk Factors

(a) Summary of Key Risks

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. Applications may also be subject to additional processes and requirements under the Native Title Act.
- 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) **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.

(c) **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.

(d) **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, fluctuations in grades and values of the product being mined, 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.

(e) Native Title and Land Access

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 Western Australian Mining Act and the Commonwealth Government Native Title Act.

Uncertainty associated with native title issues may impact on the Company's future plans.

(f) Aboriginal Sites of Significance

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.

(g) Environmental Risk

The Company's projects are subject to Australian 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.

(h) Development Capital

Exploration and mining costs will reduce the cash reserves of the Company, which may not be replaced through any future mining operations, should these prove unsuccessful or perform below acceptable base levels. The Company would then be dependent on seeking development capital elsewhere, through equity, debt or joint venture financing, to support exploration and evaluation of its projects and its ability to do so would depend on a variety of circumstances including the Company's projects, commodity prices, and the share market.

(i) Sharemarket 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.

(j) 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.

(k) 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 or overseas include changes in government policies, natural disasters, industrial disputes, and social unrest or war on a local or global scale.

(l) 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.

3.3 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:

- (a) the Annual Financial Report for the Company for the year ending 30 June 2012, 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 2012 and before the date of lodgement of this Prospectus with ASIC.

Lodgement Date	Headline/Description of Announcement
3 September 2012	Annual Financial Statements
4 September 2012	Presentation at AMEC Conference
24 September 2012	Nickel/Copper Targets- Ground & Down Hole EM Survey
28 September 2012	Nickel/Copper Targets- Strong Conductor from EM Survey
23 October 2012	Non-renounceable Rights Issue and Appendix 3B
24 October 2012	Notice of Annual General Meeting/Proxy Form
24 October 2012	Annual Report
24 October 2012	Amended Notice of Annual General Meeting/Proxy Form

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 fully paid ordinary share held by him or her,

and a proportionate vote for every partly paid share, 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

Dividends are payable out of the Company's profits and are declared by the Directors.

(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 stock.

(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.

(h) Shareholder Liability

Any sum unpaid on a share must be paid on the date on which it is payable under the terms of the issue of that share.

Subject to compliance with the requirements of the Corporations Act, the Listing Rules and the original terms of issue of the shares, the Directors may make calls upon the member in respect of any money unpaid on their shares, make a call payable by instalments and revoke or postpone a call before the due date for payment. While the Company is a listed company, calls must be made in accordance with the Listing Rules. The Company must give a member on whom a call has been made written notice of the call within the time limits and in the form required by the Listing Rules. If a call is not paid before or on the day specified for payment, the Directors may require the member liable for the call to pay interest on the sum from and including the day for payment to the time of actual payment at the rate, not exceeding 20% per annum, determined by the Directors. The Company has a first lien over partly paid shares for all money called or payable at a fixed time in respect of the share. Failure to pay a call on the due date can result, subject to the giving of appropriate notice, in the Shares being forfeited or sold pursuant to the Company’s lien.

4.5 Interests of Directors

(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>
Philip Jackson	1,160,250	Nil	5,000,000 ⁴
Robert Taylor	-	100,000 ³	9,000,000 ^{1,2}
Martin Pyle	500,000	Nil	3,000,000

Notes:

1. 6,000,000 of these Options are held by Mr Taylor as trustee for the Pelican Trust of which Mr Taylor is a beneficiary.
2. 3,000,000 of these Options are held by Mr Taylor as trustee for the Reindeer Trust of which Mr Taylor is a beneficiary
3. These Shares are held by Mr Taylor as trustee for the Reindeer Trust of which Mr Taylor is a beneficiary.
4. These Options are held by Mr Jackson on behalf of Sebastian and Oliver Jackson.

(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:

Year Ended 30 June 2012	Base Emolument	Other	Superannuation	Consulting Fees	Options
	\$	\$	\$	\$	\$
Phillip Jackson	-	-	-	45,000 ¹	-
Robert Taylor	-	-	-	75,000 ²	-
Martin Pyle	-	-	-	87,502 ³	69,655

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.*

Year Ended 30 June 2011	Base Emolument	Other	Superannuation	Consulting Fees	Options
	\$	\$	\$	\$	\$
Phillip Jackson	-	-	-	45,000 ¹	-
Robert Taylor	-	-	-	75,000 ²	-
Martin Pyle	-	-	-	125,004 ³	104,215

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. Mr Pyle commenced on 1 June 2010.*

The consultancy fees paid during each of the financial years ending 30 June 2011 and 2012 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**") on 11 June 2007, and further revised on 13 April 2010 and 13 September 2012. Pursuant to this agreement, Holihox was engaged as a consultant to the Company commencing from the date the Company's securities were admitted to the Official List of ASX. 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 \$15,000 per annum to Holihox, revised down from \$45,000 on 13 September 2012; and
- the Company entered into a consulting agreement with Able Kids Pty Ltd (ACN 086 812 400) ("**Able**") on 11 June 2007, and further revised on 13 April 2010 and 13 September 2012. Pursuant to this agreement, Able was engaged as a consultant to the Company commencing from the date the Company's securities were admitted to the Official List of ASX. The Company may terminate this agreement for any reason by providing 6 months written notice. Able 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; and

- the Company entered into a consulting agreement with Whitby (2009) Pty Ltd (ABN 40 135 920 311) ("**Whitby**") on 6 May 2010, and revised on 10 September 2011 and 13 September 2012. Pursuant to this agreement, Whitby was engaged as a consultant to the Company commencing on 1 June 2010. 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 \$25,000 per annum to Whitby, revised down from \$75,000 per annum on 13 September 2012.

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.

The Directors are also security holders in the Company's major shareholder, Aurora Minerals Limited.

At the date of this Prospectus the relevant interests of each of the Directors 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>
Philip Jackson	2,050,000	Nil	4,500,000
Robert Taylor	3,350,000	100,000	6,000,000
Martin Pyle	450,000	Nil	3,000,000

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	400,000
Desert	Nil	222,750	1,600,000

On the 22 April 2010, the Company entered into a joint venture agreement with Aurora Resources Pty Ltd (a wholly owned subsidiary of Aurora Minerals Limited) pursuant to which the Company was granted the right to acquire a 51% interest in a number of exploration licenses owned by Aurora Resources Pty Ltd and referred to as the Camel Hills project. To earn the 51% interest the Company was required to spend \$3.8 million on exploration on the Camel Hills tenements within 4 years. This amount was subsequently reduced to \$3.4 million following a substantial relinquishment of tenements. It is proposed that some of the monies raised by the Offer will be used to complete such earning expenditure so as to earn such 51% interest in the tenements.

The Company received shareholders approval on 15 June 2010 for the Company to enter into and perform its obligations under, and to exercise its rights under, the joint venture agreement. If the Company earns such 51%, the Company will have the right to earn further interests up to 75% in the tenements by further expenditure under the terms of the joint venture agreement.

4.6 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, 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;
- 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.

Except as disclosed 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 expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue under this Prospectus.

Mark Edwards has acted as the Australian solicitor to the Company in relation to this Prospectus. In respect of this work, the Company will pay approximately \$7,000 (plus GST) for these services.

4.7 Expenses of the Issue

The approximate expenses of the Rights Issue are \$23,700 comprising:

(a)	ASIC Lodgement Fees	\$2,000
(b)	ASX Listing Fees	\$4,200
(c)	Share registry	\$8,500
(d)	Legal fees, printing, postage and sundries	<u>\$9,000</u>
	TOTAL	\$23,700

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.

Robert Taylor, one of the directors of the Company, has given his written consent to the inclusion in this Prospectus of the statements attributed to him in the Chairman's Letter.

RSM Bird Cameron has given its written consent to the inclusion in this Prospectus of the reference to the audited balance sheet of the Company as at 30 June 2012 in the form and context in which it is included and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Each of the following has consented to being named in this Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (a) Mark Edwards as the Australian solicitor to the Company;
- (b) Computershare Investor Services Pty Limited has given and, as at the date hereof, not withdrawn, its written consent to be named as the Share Registry for the Company in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in preparation of any part of the Prospectus and not authorised or caused the issue of the Prospectus and expressly disclaims any responsibility for the Prospectus.

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 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 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

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.

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: 25 October 2012

Section 6 DEFINED TERMS

"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;

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

"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 22 November 2012 or such other date as may apply under the terms hereof;

"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;

"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 29 October 2012 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 or who are entitled to participate in the Rights Issue under the Listing Rules or other ASX requirements;

"Issue" means the issue of New Shares pursuant to this Prospectus;

"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.

"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.

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

"**Prospectus**" means this prospectus dated 25 October 2012;

"**Record Date**" means 5.00pm WST on 2 November 2012;

"**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 rights issue pursuant to this Prospectus of up to approximately 29,915,160 New Shares (assuming no existing Options are exercised prior to the Record Date) on the basis of one New Share for every four Shares held on the Record Date, at an issue price of 3 cents per New Share, to raise up to approximately \$897,455 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 as at the Record Date;

"**Shortfall**" or "**Shortfall shares**" means the New Shares forming Entitlements, or parts of Entitlements, not accepted by Existing Shareholders;

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

Desert Mines and Metals Limited

ABN 56 123 102 974

For all enquiries:

Phone:



(within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000

Web:



www.investorcentre.com/contact

Make your payment:



See over for details of the Offer and how to make your payment

Non-Renounceable Rights Issue — Entitlement and Acceptance Form

 **Your payment must be received by 5:00pm (WST) Thursday 22 November 2012**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. Enter the number of new shares you wish to apply for and the amount of payment for those shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Prospectus dated 25 October 2012.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the slip with BPAY payment.

By Mail: Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to "Desert Mines and Metals Ltd Trust AC". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip below as indicated. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Entitlement and Acceptance Form with Additional Shares

STEP 1 Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name:

Entitlement No:

Offer Details: Existing shares entitled to participate as at
2 November 2012:

Entitlement to new shares
on a 1 for 4 basis:

Amount payable on acceptance
at \$0.03 per share:

STEP 2 Make Your Payment



Billers Code:
Ref No:

Pay by Mail:



Make your cheque, money order or bank draft payable to "Desert Mines
and Metals Ltd Trust AC".
Return your cheque with the below slip to:

Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your
payment from your cheque or savings
account.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email privacy@computershare.com.au

Detach here - - -

Acceptance Payment Details

Entitlement taken up:

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Number of additional shares
applied for:

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Amount enclosed at \$0.03 per
new share:

A\$

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Entitlement No:

Payment must be received by 5:00pm (WST) Thursday 22 November 2012

Contact Details

Contact Name _____ Daytime Telephone _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
				A\$