



DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

ASX RELEASE

ASX: DSN

29 July 2013

Exciting Korea Molybdenum-Tungsten Daehwa Project and Diversified Exploration Portfolio In Western Australia

Substantial Shareholders

Aurora Minerals Limited 37%

Indo Gold Limited 9%

W. Goodfellow 8%

Website

www.desertminesandmetals.com

For further information on this release and the Company please contact:

Chris Rashleigh
Managing Director

Phone
+61 419 315 895
or

Ken Banks
Investor Relations

Phone
+61 402 079 999

QUARTERLY ACTIVITIES REPORT ENDING 30 JUNE 2013

Highlights

- **Completion of the acquisition of South Korean molybdenum-tungsten projects and featuring**
 - Historic “Daehwa” molybdenum-tungsten mine
 - South Korean Government (KORES) funded drilling programme
 - Recent assaying from the 2012 KORES diamond drill programme confirms molybdenum mineralisation
 - Commencement of KORES sponsored 1900m diamond drilling programme on 10 April 2013
 - Close to infrastructure, smelters and major steel manufacturers
 - Contractual rights to 100% ownership
- **Appointment of Chris Rashleigh as Managing Director, Mr Sang Hong as non-executive director and Daniel Noonan as Deserts’ Chief Geologist.**

Korean Molybdenum-Tungsten Acquisition

On 31 May 2013, following the negotiation of revised terms, Desert Mines and Metals Limited (“**Desert**”) completed the acquisition of Korean Resources Limited (“**KRL**”) (“**Transaction**”) from Indo Gold Ltd (“**Indo Gold**”), a public unlisted Australian company. KRL, through its wholly owned Korean subsidiary, Suyeon Mining Company Limited (“**SMCL**”), has contractual rights to acquire several molybdenum exploration properties in South Korea.

Key Transaction Terms

- (a) The consideration shares for the acquisition of KRL were 20.7 million fully paid ordinary shares in Desert (**Desert Shares**) comprising approximately 14.9% of Desert’s issued share capital. The Desert Shares were voluntarily escrowed for 12 months.
- (b) Desert forgave repayment of the \$100,000 loan it provided to KRL on and with effect from completion of the Transaction.
- (c) KRL’s subsidiary, SMCL granted, subject to certain conditions, Indo Gold a 3% net smelter royalty on future production from the Daehwa tenements.

- (d) On and with effect from completion, Mr Chris Rashleigh was invited to join Desert's board as Managing Director. Dr Robert Taylor retired from the board.

DAEHWA PROJECT

The Daehwa Project is located some 100km southeast of Seoul in Chungbuk Province in the centre of South Korea (Fig 1). The Daehwa Project contains two former molybdenum-tungsten (Mo-W) mines, Daehwa and Donsan. The Daehwa Project is comprised of three Mining Rights with granted tenure subject to meeting performance conditions until 2027-2028.

In 1902, local prospectors discovered a quartz vein outcrop with molybdenite, wolframite and scheelite close to the Daehwa Mine site. The Daehwa underground operations commenced in 1904 and became the largest Mo mine in South Korea prior to its closure in 1984 due to declining Mo prices.

Historic production reported until 1979 is 2,022t of MoS₂ in a 95% concentrate and 793t of WO₃ (tungsten) in a 65-70% concentrate. Only limited records have been found for the adjacent Donsan Mine (which now forms part of the current Daehwa Project) but based on historic plans and surface artefacts including mine waste dumps it is believed that the mine also produced significant quantities of MoS₂ and WO₃. Numerous high grade MoS₂ specimens remain on the Daehwa and Donsan waste dumps indicative of the high grade nature of the mineralisation from the main lode structures. Many of the historic adits remain open and some remnants of the Donsan mine infrastructure still remain today.

Limited exploration including adit sampling has occurred since then with only partial records available to Desert. The project received a major impetus in 2010 when Korea Resources Corporation (“**KORES**”), a South Korean Government authority, charged with the support and development of domestic and overseas mineral resources commenced exploration activities on behalf of the then owners of the Daehwa Project. This work has included several phases of diamond drilling to assess the potential of the Mo-W mineralisation.

In late 2012, KORES, under the supervision of Desert's subsidiary representatives, drilled 3 diamond core holes for ~1,300m into the Daehwa mineralisation. The holes were designed to traverse through the known lodes as evidenced from old workings. The Mo-W mineralisation consists of numerous veins that vary from sub millimetre scale to 0.6m in width and strike can be traced for over 1km in places. Up to 20 of the more significant veins identified to date have had some degree of historical development over the life of the mines, with development records suggesting up to ten of them being the main focus of mine production. The holes were collared on the eastern side of the north-south trending ridge which hosts the Daehwa mineralisation. The holes also tested the hangingwall mineralisation which has received limited historic mining activity. Assaying of these holes is currently underway and the following interim results from KORES assaying were announced in the ASX release of 4 June 2013.

Drill Hole No: DW001_2012

- 34.7m @ 0.07% Mo from 7.9m
- 5m @ 0.25% Mo from 71.2m
- 7m @ 0.26% Mo from 97.3m
 - including 1m @ 1.19% Mo from 98.3m
- 14m @ 0.06% Mo from 196.6m
- 0.4m @ 1.89% Mo from 296m
- 15.6m @ 0.09% Mo from 310.2m

Drill Hole No: DW002_2012

- 3.7m @ 0.16% Mo from 59m
- 5m @ 0.13% Mo from 87m
 - including 0.6m @ 0.81% Mo from 91.4m
- 7.4m @ 0.13% Mo from 221.1m
- 2m @ 0.46% Mo from 268.9m
- 1m @ 0.24% Mo from 337.5m

Drill Hole No: DW003_2012

- 0.9m @ 1% Mo from 23.7m
- 2m @ 0.27% Mo from 38.4m
- 0.4m @ 0.19% Mo from 75.6m
- 1m @ 0.37% Mo from 170.5m
- 0.9m @ 0.44% Mo from 172.5m
- 1m @ 0.4% Mo from 268.5m
- 1m @ 0.24 Mo from 337.4m

Further assaying of these holes is currently underway and partial results were announced in the ASX release dated 8 July 2013.

- Drill Hole No: DW001_2012
 - 9.43m @ 0.05% Mo from 7.9m
 - 5.08m @ 0.24% Mo & 0.04% Cu from 97.32m
 - including 1.08m @ 0.46 % Mo from 98.32m
 - 5.04m @ 0.05% Mo, 0.16% W and 0.08% Cu from 183.52m
 - including 1.0m @ 0.11% Mo, 0.59% W & 0.25% Cu from 186.82m
 - 5m @ 0.11% Mo from 234.85m
 - including 1.0m @ 0.45% Mo from 238.85m
 - 9.9m @ 0.05% Mo from 295.03m
 - including 0.4m @ 0.22% Mo from 296.03m
 - 3.25m @ 0.07% Mo from 307.93m
 - 3.0m @ 0.07% Mo from 317.08m

On 10 April 2013, prior to the acquisition, KORES, under the supervision of SMCL geologists commenced a 1900m diamond drilling program testing underneath the historic workings. The program is expected to be completed by late July 2013. This KORES sponsored diamond drilling program will continue to save SMCL a considerable amount of money and means that drilling is taking place irrespective of additional funding that Desert might bring to bear on the Daehwa Project. SMCL is working closely with KORES to derive maximum benefit for the project from the remaining KORES drilling budget. At the end of the current quarter, no results of core logging or assaying were available from this drill programme.

Mo and W Mineralisation Styles

The bulk of the world's Mo is produced from porphyry deposits where grades vary widely but rarely exceed 0.25%. Mo is predominately mined as molybdenum sulphide (MoS_2). Grades can be as low as 0.05% Mo for bulk tonnage systems where Mo is mined as the primary economic commodity or as low as 0.01% Mo where Mo is mined as a co-product or by-product. Typically, the lower grade deposits enjoy co-product credits such as copper (Cu) or W. Mo also occurs in greisen, skarn or vein style deposits often in association with W and occasionally bismuth (Bi).

Mo is sometimes mined underground from narrow vein deposits predominately from mines in China, CIS and South Korea. Grades of Mo from economically recoverable vein deposits are more varied but generally tend to be higher. Grades in excess of 0.15% Mo have historically been considered economic.

W is typically mined from skarn, vein, greisen and less commonly porphyry deposits. W is mined both as wolframite ((Fe, Mn)WO₄) and scheelite (CaWO₄). W is commonly mined in association with Mo and tin (Sn) in various styles of deposits. Economic grades mined rarely exceed 1% W in ore and are typically much lower with cut-off grades as low as 0.01% W reported from mines where W is mined as a co-product or by-product of Sn or Mo mining.

(Sources: International Molybdenum Association, USGS, Geoscience Australia)

Daehwa Exploration Targets

At Daehwa, the Precambrian basement of gneisses and schists has been intruded by a Late Cretaceous granitic body that is part of the broader South Korea wide Bulguksa granitic intrusive suite. Numerous fissure-filling quartz veins form a sheeted vein stockwork hosted within the gneissic basement adjacent to and extending southwards into a granitic body. The granite and the basement gneiss have been locally intruded by quartz porphyry and lamprophyre dykes that predate or developed syn-mineralisation.

The major ore minerals at Daehwa are molybdenite, wolframite, powellite and scheelite with minor amounts of chalcopyrite, sphalerite, galena, cassiterite and bismuthinite within fissure filling quartz veins.

The Mo-W deposits consist of numerous veins that vary from sub millimetre scale to 0.6m in width and strike can be traced for over 1km in places (Fig 3). Up to 20 of the more significant veins identified to date have had some degree of historical development over the life of the mine, with development records suggesting up to ten of them being the main focus of mine production.

The sheeted vein stockwork covers a significant area with the mineralisation open along strike and down dip suggesting significant exploration upside potential. Significant potential remains to test the down dip extensions of the main higher grade lodes.

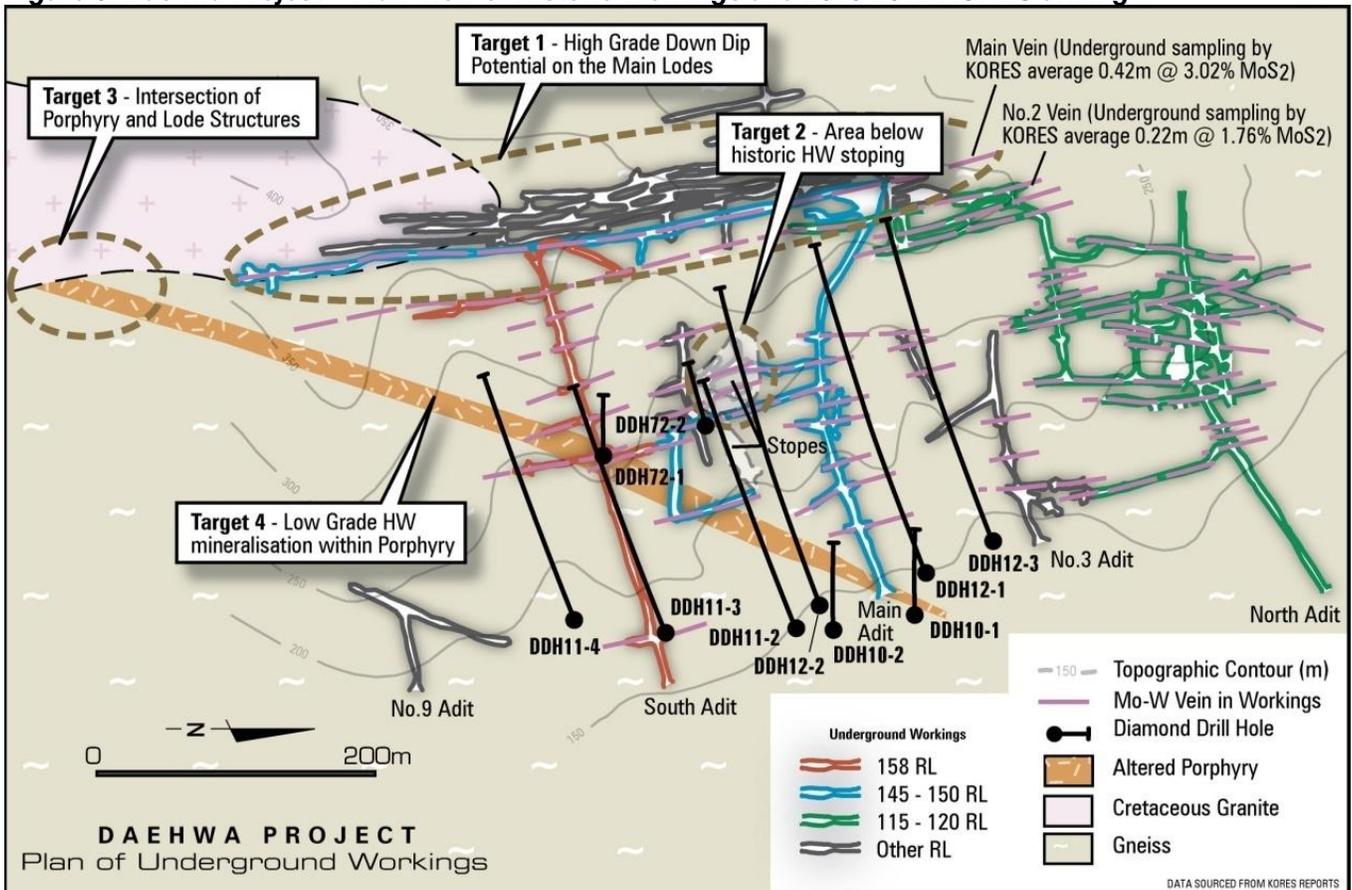
Figure 1: Daehwa Project Location Map



Figure 2: Photo montage showing Daehwa mine waste dump spoil and recently drilled diamond core.



Figure 3: Daehwa Project – Plan View of Historic Workings and 2010-2012 KORES drilling



Significant high grade potential exists at depth along more than 1km of strike development on the main footwall lode structures and is termed Target 1 (Fig 3). In addition, there is an opportunity to develop a significant low grade resource in the hangingwall of the main lode development (Target 2). The strongly altered hangingwall porphyry represents another target as selective sampling of this unit has shown it to be mineralised (Target 4). In addition, the point at which the hangingwall porphyry intersects the main lode structure to the south of existing workings constitutes a separate high grade target termed Target 3.

Currently, an overall estimate of grade cannot be determined for the various targets outlined above until full sampling of the core has been completed and additional drilling and assaying undertaken.

A full information presentation of the Daehwa Project was lodged with ASX on 24 July and shareholders are encouraged to visit the Company's website to access that information.

Camel Hills Joint Venture (CHJV) - Western Australia

(Desert 51% and Manager, Aurora Minerals Limited 49%)

Following the reverse circulation drill programs at Main Grid gold and Innouendy copper-nickel prospects in the March quarter, there has been no further field exploration activity. Rehabilitation of drill sites is currently in progress.

Desert has undertaken tenement rationalisation in the CHJV area and will retain the Main Grid gold and Innouendy copper-nickel prospects plus the large block in the south covering the Far West and CN2 copper-nickel prospects and the adjoining magnetite-iron prospects.

Desert has been granted Western Australian Department of Mines and Petroleum Exploration Incentive Scheme co-funding for further drilling at Innouendy where the second, deeper EM anomaly remains untested.

Background on Camel Hills Joint Venture

Camel Hills is a large project covering some 1,200km² in the southern Gascoyne Region of Western Australia. The project covers part of the north-western margin of the Archaean Yilgarn Craton and adjacent Proterozoic Errabiddy Shear Zone. Desert has a 51% participating interest in the JV from Aurora Minerals Limited (49%).

CORPORATE

Chris Rashleigh was appointed as Managing Director of Desert on and with effect from 31 May 2013 coincident with the Korea molybdenum-tungsten acquisition. Chris is a mining engineer with 43 years' experience in the resources industry, both in Australia and internationally. Chris was a director of IGL and KRL prior to accepting the appointment and was instrumental in establishing KRL's corporate and exploration activities in South Korea.

Also appointed effective from 31 May 2013 as Desert's Chief Geologist was Mr Daniel (Danny) Noonan. Danny is a geologist with over 25 years' experience in the minerals industry and had been working on the Korean projects for over 2 years. His principal role for Desert will be managing the Korean exploration and business development activities.

Mr Sang Hong was appointed as a non-executive director with effect from 1 July 2013. Mr Hong is a qualified lawyer currently consulting to Herbert Smith Freehills in Melbourne. He has worked for several high profile legal firms including Clayton Utz and Minter Ellison. He has over 20 years' experience with Australia and South Korea related matters, being involved in several cross border transactions involving Australian companies investing in South Korea and representing many high profile South Korean conglomerates on outbound investment. He has also spent a number of years living in South Korea and during that time had considerable dealings with South Korean Government at all levels.

Dr Robert Taylor retired from the board following the Korea molybdenum-tungsten acquisition, but will continue to provide consultancy services to the Company for the immediate future.

Desert's cash position at the end of the quarter is \$1.33 million.

Chris Rashleigh
Managing Director
+61 419 315 895

The information in this report that relates to Korean Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Daniel Noonan, a Member of The Australian Institute of Mining and Metallurgy. Mr Noonan is Chief Geologist for Korean Resources Limited.

The information in this report that relates to Australian 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. Dr Robert Taylor is employed through his consulting company Able Kids Pty Ltd.

Messrs Robert Taylor and Daniel Noonan have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking 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'. Messrs Robert Taylor and Daniel Noonan consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The Companies' websites (www.auroraminerals.com and www.desertminesandmetals.com.au) are recommended reading for interested market watchers, brokers and investors. The websites contain information on the Companies' projects, project maps, a list of the Companies' announcements to ASX, information on Native Title (including the tenement grant process and heritage surveys) legislative environments under which the Companies operate, Corporate Governance, a section on risks, many of which are common to exploration companies, and other useful information. A list of the Companies' announcements is also obtainable from the Australian Securities Exchange.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Desert Mines and Metals Limited

ABN

56 123 102 974

Quarter ended ("current quarter")

30 June 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(157)	(630)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	15	66
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	16	177
Net Operating Cash Flows	(192)	(700)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities	-	(100)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	-	(100)
1.13 Total operating and investing cash flows (carried forward)	(192)	(800)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(192)	(800)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	565
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	565
	Net increase (decrease) in cash held	(192)	(235)
1.20	Cash at beginning of quarter/year to date	1,519	1,562
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,327	1,327

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	24
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Desert Mines and Metals Ltd acquired 100% of the issued capital of Korean Resources Ltd (KRL) on 31 May.

1.7 Quarter 1 – R&D Tax Incentive rebate for 2011 of \$78k. Release of Dept of Mines and Petroleum bond.

1.10 Loan to KRL (pre-acquisition) in accordance with proposed Molybdenum project acquisition announced to ASX on 18 March 2013.

1.14 Rights issue proceeds net of costs.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	295
4.2 Development	
4.3 Production	
4.4 Administration	185
Total	480

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	222	87
5.2 Deposits at call	1,105	1,432
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,327	1,519

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	E09/1911 Holder	100%	0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	159,965,418	159,965,418	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	20,700,000	20,700,000	3 cents Fully Paid
7.5	+Convertible debt securities <i>(description)</i>			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	7,500,000 7,500,000 1,000,000 3,850,000 8,000,000 10,000,000 200,000 3,000,000 300,000	- - - - - - - - -	<i>Exercise price</i> 34.017 cents 50.0 cents 34.0 cents 40.0 cents 40.0 cents 40.0 cents 14.5 cents 15.08 cents	<i>Expiry date</i> 31/10/ 2014 22/11/2015 31/10/2013 17/09/2014 17/05/2017 22/06/2017 31/07/2014 02/09/2014 07/12/2014
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	330,000 975,000	- -	35.0 cents 30.0 cents	31/05/2013 30/06/2013
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 29 July 2013
(Company secretary)

Print name: Eric Moore

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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