



DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

ASX RELEASE

ASX: DSN

14 August 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%

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GRANT OF MINING PERMISSION AT DAEHWA PROJECT IN KOREA

The Company is delighted to announce that mining permission has been granted by the Chungbuk Provincial Government over the molybdenum-tungsten (Mo-W) Tenement 76166 at Daehwa (Fig 1 & 2).

The Company's project consists of two former Mo-W mines, Daehwa and Donsan and is comprised of three Mining Rights over Tenements 76166, 77226 and 77227 (Fig 2) with granted tenure until 2027-2028 subject to meeting performance conditions. One of these conditions necessitates the application for and grant of mining permission within a specified time period of the original grant of a mining right. Tenement 76166, containing the majority of the previous mine workings, was selected as being the most appropriate area over which to make application for initial mining permission.

Commenting on the success of the application, Managing Director Chris Rashleigh noted: *"The granting of this application is a tremendous step forward in allowing the Company to expand its continuing efforts to develop a viable and long-lasting Mo-W business in Korea. The support shown by the Chungbuk Provincial Government and other government agencies in approving our application is very much appreciated and we look forward to mutual, long-lasting and productive relationships. Our plans over the next 6-9 months will be to gain safe access to the old workings and commence preparations for detailed mapping, channel sampling, drill platform preparation for underground exploration and bulk sampling of the various lode structures. Meanwhile the core logging and assaying of the recently completed KORES sponsored surface drill programme will continue to provide guidance for our on-going exploration."*

DAEHWHA 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.

Figure 1: Daehwa Project Location Map

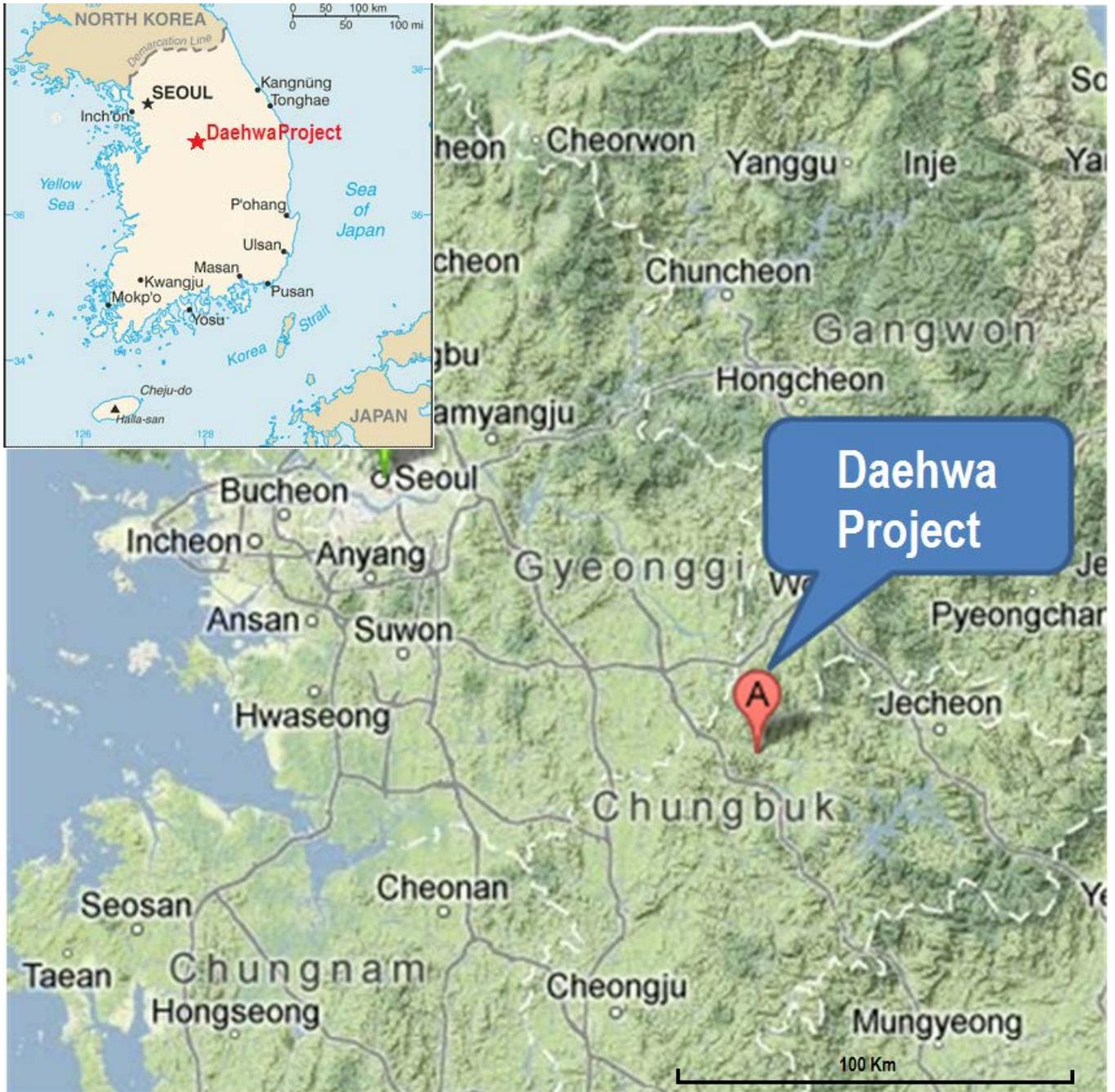
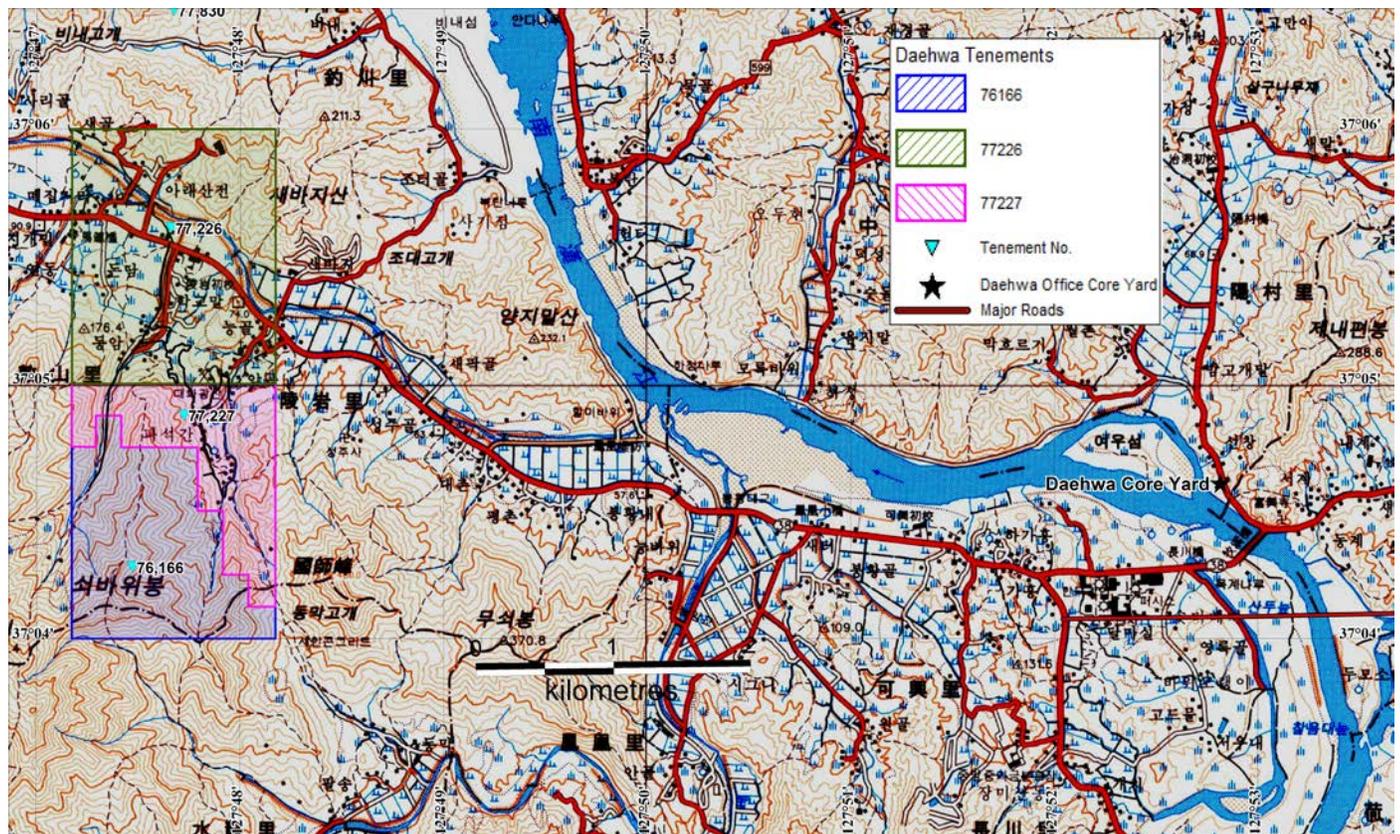


Figure 2: Daehwa Project Tenement Location Map



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 (molybdenite) in a 95% concentrate and 793t of WO₃ (tungsten oxide) 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 (Fig 3) 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 both the Daehwa and Donsan mine infrastructure still remain today.

Limited exploration including channel sampling and two separate two hole drill programmes were conducted in 1972 and 1979 prior to the mines' closure in 1984. Desert has been unable to locate any records of any further exploration prior to the recommencement of exploration activity in 2010. 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 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 and are repeated below.

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 as below.

○ 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 1,940m diamond drilling program testing below the historic workings. This drill programme was completed on 2nd August. Core logging and assaying is currently underway and results will be reported as they become available.

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 ($(\text{Fe,Mn})\text{WO}_4$) and scheelite (Ca(W, Mo)O_4). 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, (Ca(Mo, W)O_4) and scheelite (Fig 3) with minor amounts of chalcopyrite, sphalerite, galena, cassiterite and bismuthinite within fissure filling quartz veins.

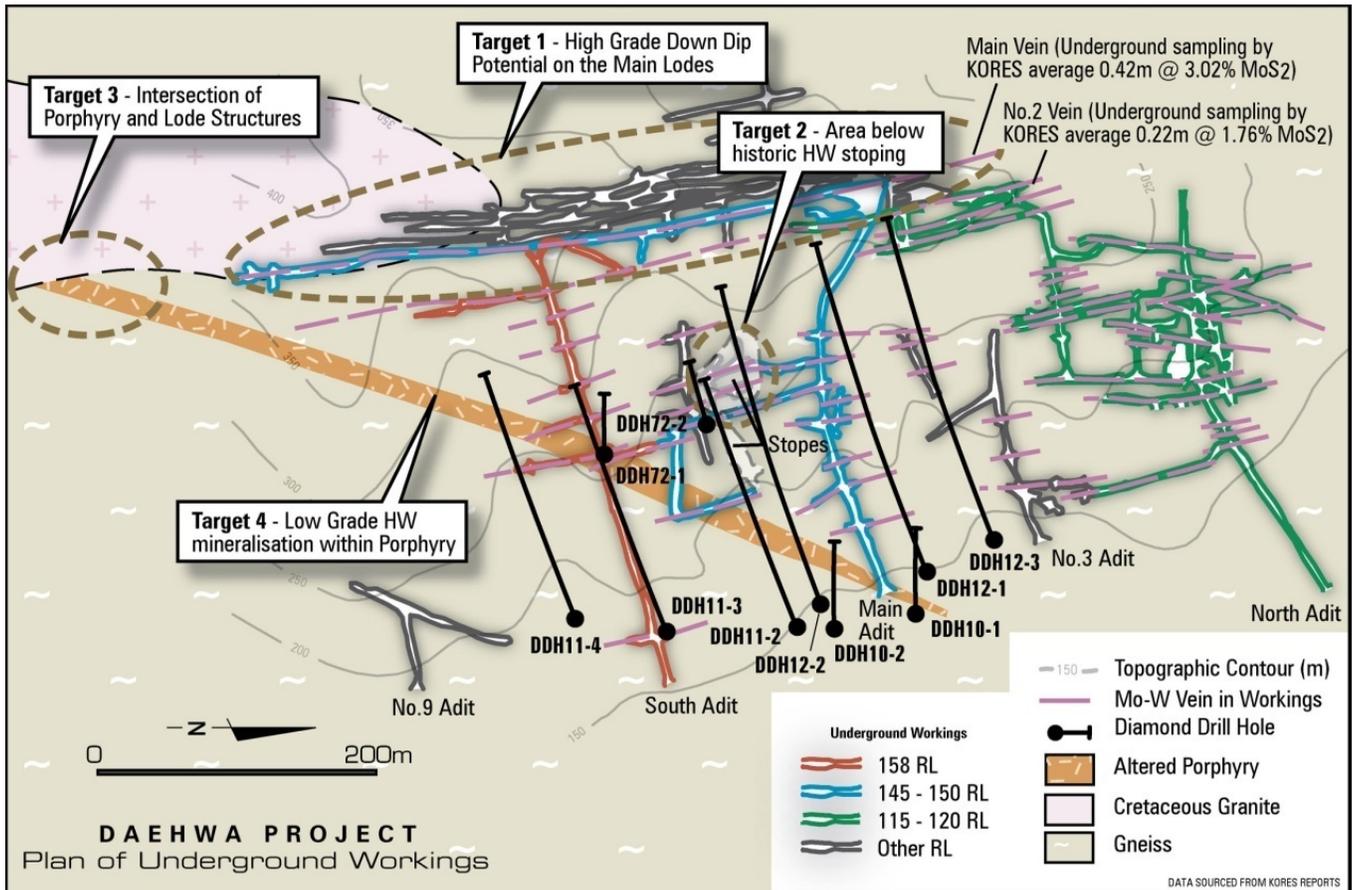
The Mo-W deposits consist of numerous veins that vary from sub millimetre scale to 0.6m in width and strike can be traced for over 1km in places (Fig 3 & 4). Up to 20 of the more significant veins identified to date have had some degree of historical development over the life of the mine, with development records suggesting up to ten of them being the main focus of mine production.

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

Figure 3: Photo montage showing Daehwa mine waste dump spoil and recently drilled diamond core. Wolframite and scheelite (circled in blue) lower right, molybdenite and powellite, (circled in green) centre right, molybdenite mineralisation in quartz veins top right and left and molybdenite with quartz from the Daehwa waste dumps bottom left.



Figure 4: 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 4). In addition, there is an opportunity to develop a considerable 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 detailed 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.

Chris Rashleigh

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The information in this announcement that relates to 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 and is employed as a consultant to Desert Mines and Metals Limited.

Mr Noonan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Noonan consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

The Company's website www.desertminesandmetals.com.au is recommended reading for interested market watchers, brokers and investors. The website contains information on the Company's projects, project maps and a list of the Company's announcements to ASX. A list of the Company's announcements is also obtainable from the Australian Stock Exchange.