



DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

ASX RELEASE

26 July 2012

Large Diversified Exploration Portfolio In Western Australia

Substantial Shareholder
Aurora Minerals Limited
40%

Website

www.desertminesandmetals.com

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

Martin Pyle
Executive Director
Phone
+618 6143 1840

QUARTERLY ACTIVITIES REPORT ENDING 30 JUNE 2012

Highlights

- **State Government EIS grant awarded for Main Grid (Gold) Prospect drilling**
- **Soil sampling results confirm Main Grid anomaly over 500m strike length**
- **Drilling approvals sought for Challenger and Main Grid Prospects**

Camel Hills Joint Venture, Western Australia

Camel Hills is a large project covering some 1900km² 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 is earning into an initial 51% interest from Aurora Minerals Limited.

Several prospecting and sampling campaigns were conducted during the quarter over the prospects known as Main Grid and Challenger (Figure 1).

Corporate

Desert's cash position is ~\$1.6 million

Main Grid Gold Prospect

The Errabiddy Shear Zone ("ESZ") was selected as a result of an in-house focus on Proterozoic sedimentary basins and basement gneiss complexes (Mobile Belts) around the edges of the Yilgarn and Pilbara cratons. It is the collision zone between the Gascoyne/Pilbara Craton and the Yilgarn Craton, includes a major terrane boundary and thus should be highly prospective for large gold systems.

Work to date on the parts of the ESZ controlled by Desert and Aurora have included prospecting, mapping and sampling as well as remote sensing interpretation.

Main Grid Gold Prospect (continued)

Desert has found that gold tends to occur in a wider “corridor” of low grade, say <1g/t, within which are narrower, discrete, high-grade and structurally controlled shoots occasional containing high gold assays in rock chip samples. A “Corridor” tends to be continuous and consistent over several kilometres of strike; there may be several parallel “corridors”.

Results from the infill soil sampling at the Main Grid show the anomaly to extend 2.3km along strike by 200m wide zone at the +20ppb Au level, within which is a coherent 600m long by 100m +50ppb Au anomaly with maximum value of 907ppb Au (Figure 2).

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.

Challenger Prospect

Soil sampling at Challenger conducted by Desert in late 2011 indicated several cohesive anomalies, with peak values of 84.7ppb, extending over 400m by 300m at the +10ppb Au level, parallel to regional stratigraphy/structure, trending approximately 020° open to the North and East. The soil sampling has now been extended both north and southwards and to cover a possible eastern trend. The results of this sampling support Desert’s interpretation of a 020° trend to the geology, not the East-West trend as originally envisaged.

The area has now been geologically mapped by Desert. This revealed a series of 020° trending, prominent bands of coarse grained felsic gneisses, medium grained banded gneiss and a calcareous laminated sediment. The areas between these bands consist of flat areas of colluvium with scattered small outcrops of dolerite, mafic gneiss and cherty sediments. Small outcrops of vein quartz are scattered throughout the zone. The geology in the northern area is largely obscured by colluvium. Soil types range from calcareous clays to hardpan to thin scrapings and quartz sand over gneiss outcrops.

The existing soil anomaly is centred over the laminated sediments.

Iron Ore

No field work was conducted on the iron targets during the quarter. The Company notes that the State Government has withdrawn its previous budget allocation for assistance for development of the Oakajee Port and related rail infrastructure. Desert considers this development important in opening the Midwest up for bulk commodity developments and in particular iron ore.

Figure 1: Camel Hills – Prospecting & Drilling Targets

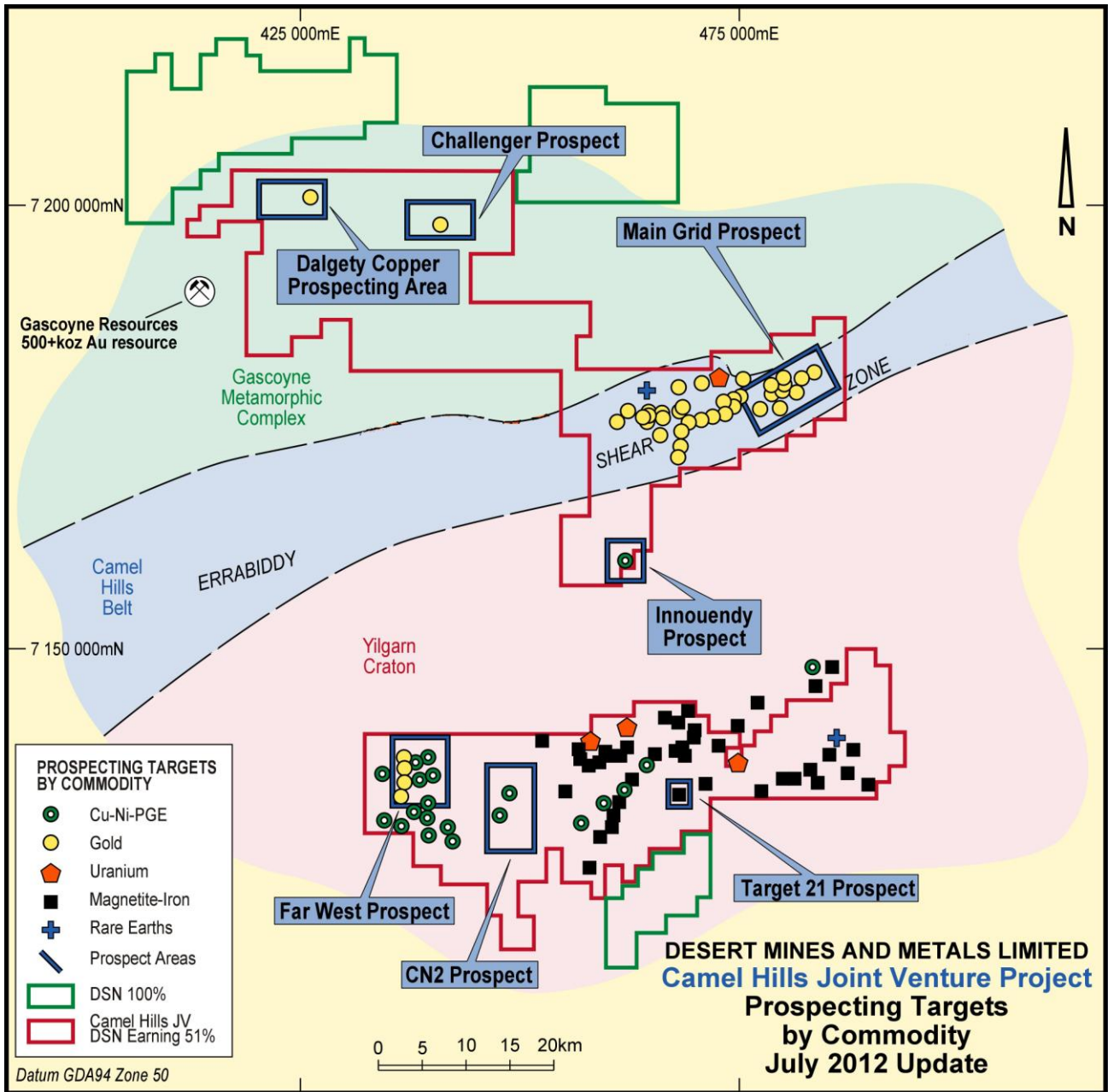
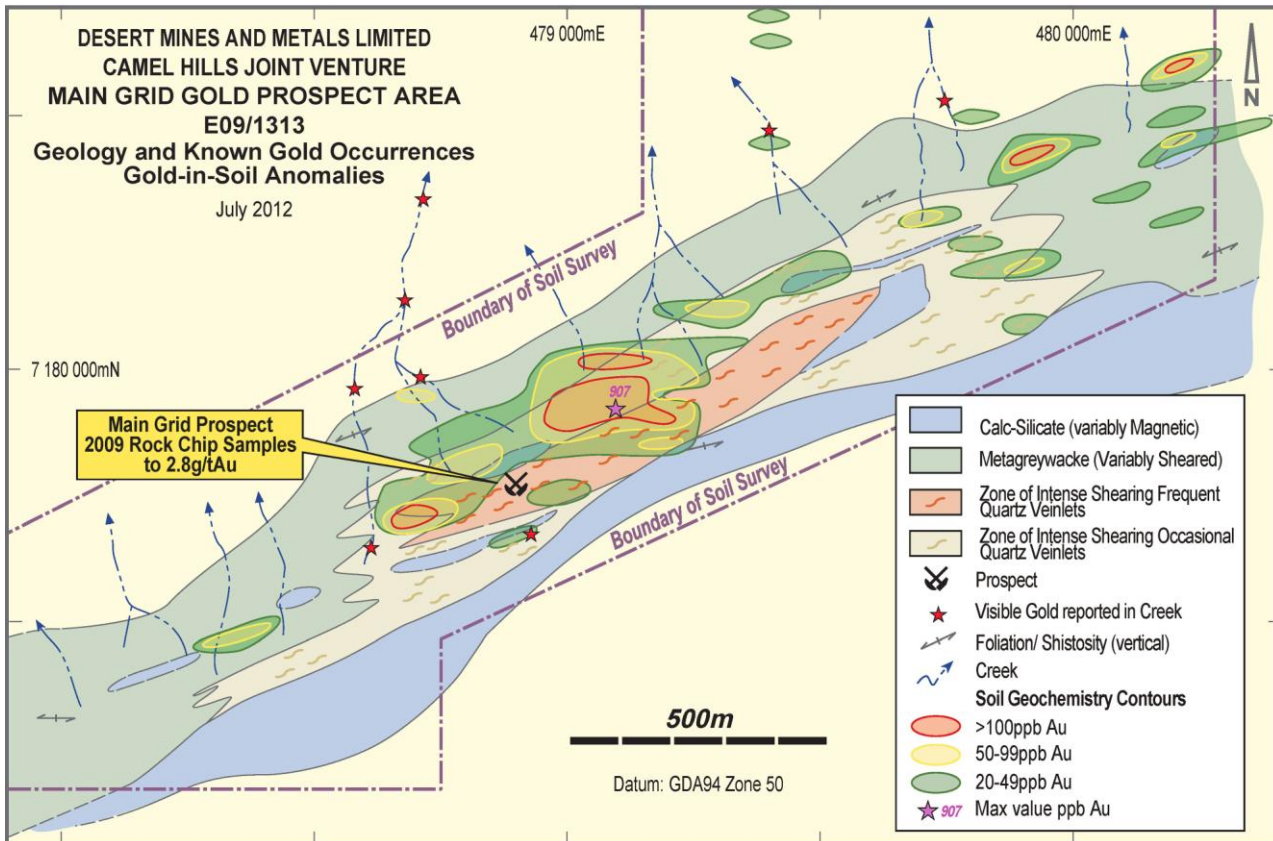


Figure 2: Sketch Map of Main Grid Prospect



BACKGROUND ON THE CAMEL HILLS JOINT VENTURE

Under the terms of the joint venture agreement, Desert can earn a 51% interest in the Camel Hills Project from Aurora Minerals Limited by sole funding the first \$3.4 million of exploration expenditure. Desert can elect to continue sole funding to earn an additional 19% interest in the project, for a total 70% interest. The tenement package currently exceeds some 1,900km² deemed by the company's geologists as being prospective for gold, copper, nickel and iron ore.

CORPORATE

As of 30 June 2012, Desert Mines and Metals had approximately \$1.56 million in cash.

Martin Pyle
 Executive Director
 +61(0)429 999 552

Robert Taylor
 Executive Director

The information in this report 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 and Mr. John Jordan, a corporate member of the Australasian Institute of Mining and Metallurgy. Executive Director of Aurora Minerals Limited and Desert Mines and Metals Limited, Robert Taylor, and John Jordan, consultant, consult to the Companies through their respective consulting companies Able Kids Pty Ltd and Churchlands Consulting Pty Ltd.

Robert Taylor and John Jordan 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'. Robert Taylor and John Jordan consent to the inclusion in the presentation 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), the 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 quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Desert Mines and Metals Limited

ABN

56 123 102 974

Quarter ended ("current quarter")

30 June 2012

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	(102)	(1,333)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	28	124
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	-	8
Net Operating Cash Flows	(205)	(1,718)
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		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	0	0
1.13 Total operating and investing cash flows (carried forward)	(205)	(1718)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(205)	(1,718)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
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	0	0
	Net increase (decrease) in cash held	(205)	(1718)
1.20	Cash at beginning of quarter/year to date	1,767	3,280
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,562	1,562

Payments to directors of the entity and associates of the directors
Payments to 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	49
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

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

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	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	235
4.2	Development	-
4.3	Production	-
4.4	Administration	150
Total		385

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	125	156
5.2	Deposits at call	1,437	1,611
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		1,562	1,767

Changes in interests in mining tenements- Nil

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	119,660,641	119,660,641		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	7,500,000	-	34.017 cents	31/10/ 2014
	7,500,000	-	50.0 cents	22/11/2015
	562,500	-	31.0 cents	30/11/2012
	330,000	-	35.0 cents	31/05/2013
	630,000	-	35.0 cents	30/11/2012
	1,450,000	-	30.0 cents	30/06/2013
	1,000,000	-	34.0 cents	31/10/2013
	7,600,000	-	40.0 cents	17/09/2014
	8,000,000	-	40.0 cents	17/05/2017
	10,000,000	-	40.0 cents	22/06/2017
	200,000	-	40.0 cents	31/07/2014
	3,000,000	-	14.5 cents	02/09/2014
	300,000	-	15.08 cents	07/12/2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired/cancelled during quarter	3,750,000		40.0	17/09/2014

+ See chapter 19 for defined terms.

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 4).
- 2 This statement does ~~not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: Peter Rutledge
(Company Secretary)

Date: 26 July 2012

Print name: Peter Rutledge

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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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