



DESERT MINES AND METALS LIMITED

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Molybdenum and Tungsten
Exploration – South Korea

Diversified Minerals including
Au and Ag

Exploration – Western Australia

Substantial Shareholders
Aurora Minerals Limited 37%
Indo Gold Limited 9%
W. Goodfellow 8%

Shares on Issue: 160M

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NEW EXPLORATION AGREEMENT FOR THE DAEHWA PROJECT SIGNED BETWEEN KOREA RESOURCES CORPORATION (KORES) AND SUYEON MINING CO. LTD (SMCL)

The Directors of Desert Mines and Metals Limited (“**Desert**” or the “**Company**”) are delighted to announce the signing of a new exploration agreement between KORES and SMCL for the provision of exploration drilling at the Daehwa project in South Korea.

HIGHLIGHTS

- KORES, which is charged with the development of South Korean mineral projects, and the Company's wholly owned Korean subsidiary, SMCL, will jointly fund the exploration programme at Daehwa.
- KORES will provide drilling services through a private contractor and SMCL will provide ancillary services such as arranging the required access approvals with the forestry service and local land holders, the site preparation, core boxes, downhole surveys and onsite supervision.
- KORES and SMCL will respectively meet 70% and 30% of the total costs.
- The agreement is for the term of one year which can be extended subject to an annual review by the KORES management.
- It is anticipated that the allocation of drilling meterage for the programme will be decided within the next four weeks.

Remarking on the signing of the agreement, Managing Director Chris Rashleigh noted: “*We are very appreciative of the on-going support of KORES for our exploration at Daehwa. Since 2010, KORES has provided some degree of funding at the project and with the signing of this new agreement it is once again showing great confidence in Daehwa and the work being undertaken by the Company. With this agreement locked in, planning for 2014 drilling program can now be finalised with the support of KORES.*”

An update on the drill targets will be provided in the next few weeks once the drilling budget is approved.

DAEHWA PROJECT

The Daehwa Project is located about 100 km southeast of Seoul in Chungbuk Province in Central South Korea (Figure 1). The Daehwa Project contains two former narrow vein underground Mo and W mines, Daehwa and Donsan. Mining activity at Daehwa/Donsan commenced in 1904 and the mines operated semi-continuously through until 1979 when the operations were placed on care and maintenance before finally closing in 1984 due to declining commodity prices. Recent drilling confirms that the mineralisation extends well below and into the hangingwall of the historic workings.

Past exploration at Daehwa/Donsan included limited diamond drilling, adit sampling and underground mapping. Only partial records of this prior works are available to Desert. The project received a major impetus in 2010 when 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 molybdenum/tungsten (**Mo/W**) mineralisation.

During a four month period from mid April to August 2013, KORES and SMCL jointly funded a four hole 1940m diamond drill programme at Daehwa. This programme was primarily aimed at completing additional drill holes on the drill sections examined during the earlier 2012 drill campaign.

The drilling over the last 2 field seasons has targeted the down dip extensions of the historically mined lodes. The drilling completed on two sections has confirmed the down dip continuation of the Mo and W bearing lodes to a depth at least 250m vertically below the levels of historic mining.

The Mo/W mineralisation forms a stockwork consisting of numerous veins that vary from sub millimetre scale to 0.6m in width and strike can be traced for over 1km in places (Figure 2). Recent examinations of a number of the historic underground workings indicate historic stoping activities primarily focussed on the steeper easterly dipping Mo and W bearing veins. In places, limited stoping has also been completed on narrow flat to westerly dipping Mo vein structures. 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 the veins being the main focus of the historic mine production. All the recent drilling at Daehwa has been from drill pads established on the eastern side of a north-south trending ridge which hosts the Daehwa mineralisation (Figure 2). Recently completed surface mapping has identified historic workings and trenching across the entire strike of the Daehwa-Donsan ridge. In several places, mineralised veins were observed in surface outcrops.

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 vein stockwork.

Figure 1: Location Plan of South Korean Projects

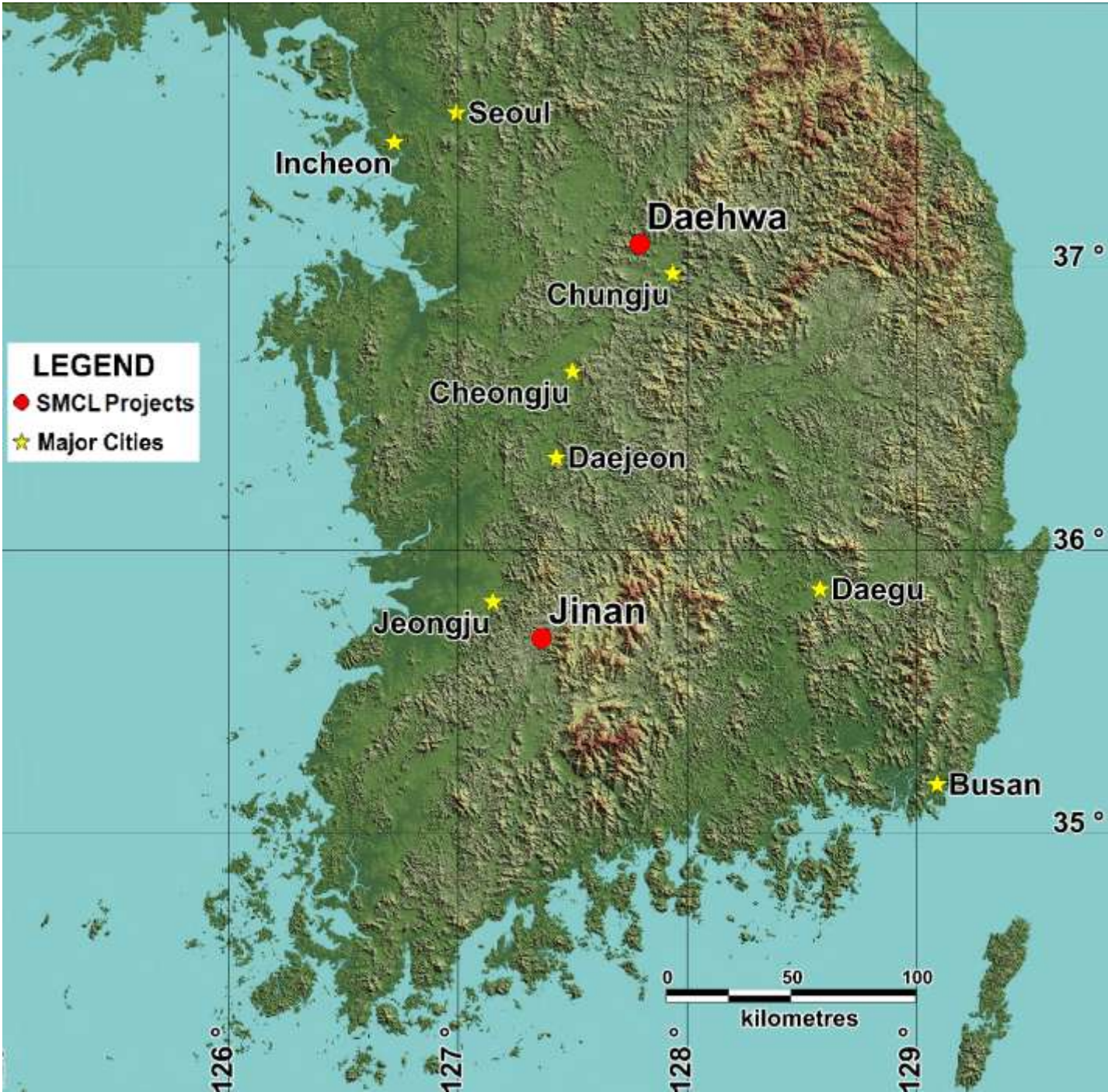
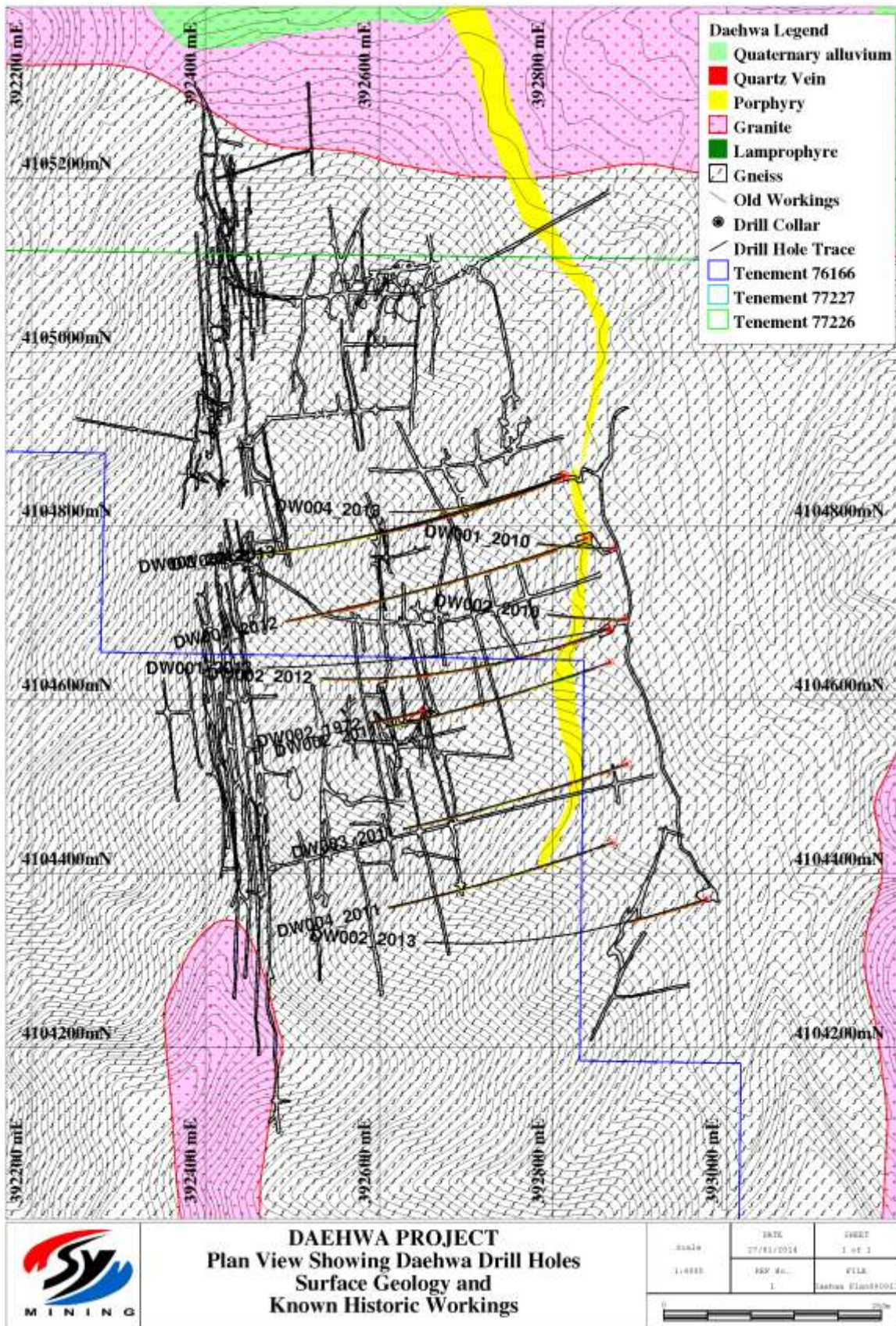


Figure 2: Sketch Geology Plan showing location of Daehwa drilling in relation to known historic workings



BACKGROUND ON MOLYBDENUM AND TUNGSTEN

Molybdenum and Tungsten are both metals whose principal use is as alloying agents in the manufacture of specialty steels.

Molybdenum (Mo) metal is used mostly in steels and superalloys to enhance strength, toughness, thermal and corrosion resistance, and to reduce brittleness. Applications include high speed steels, stainless steels, high temperature steels and in cast iron.

The US Geologic Survey (USGS) estimates that world molybdenum production in 2011 amounted to 250kt. China, the USA, Chile and Peru accounted for about 86% of global outputs in 2011 with China producing 94kt, followed by the USA with 64kt, Chile with 38kt and Peru with 18kt. The most common economic mineral from which Mo is extracted is molybdenite (MoS₂).

The principal source of the metal is from porphyry copper-molybdenum mineralisation notably in the USA, Chile and Peru. Mo grades in porphyry deposits vary widely but rarely exceed 0.25% and can be as low as 0.01% for bulk tonnage systems where Mo is mined as the primary economic commodity or as a co-product or by-product. Typically, the lower grade deposits enjoy co-product credits such as copper or tungsten. Mo is often recovered as a by-product of copper production.

Mo is also mined from narrow vein deposits including in China, CIS and South Korea. Grades of Mo in economically recoverable vein deposits are more varied but are generally higher grade ranging up to several percent Mo.

Sources: International Molybdenum Association, USGS, Geoscience Australia

Tungsten (W) metal and its alloys are amongst the hardest of all metals and has the highest melting point of all pure metals. Tungsten is noted for its hardness and high temperature capabilities which makes it desirable for many industrial applications. Tungsten's range of properties also makes it difficult to substitute it with other metals. The major use for tungsten is within cemented carbides, which are also called hard metals. Tungsten carbide is used for cutting and in wear-resistant materials, primarily in the metalworking, mining, oil drilling and construction industries. Tungsten alloys are used also in electrodes, filaments (light bulbs), wires and components for electrical, heating, lighting and welding applications.

The USGS estimated that world production of tungsten in 2011 amounted to 72kt. China was the major producer with approximately 83%, followed by Russia with 4.3%. USA production was not recorded for confidential reasons. Over the past few years, the Chinese Government has restricted the amount of its tungsten ores which can be offered on the world market by applying export quotas and taxes. The most common economic minerals from which W is extracted are scheelite (CaWO₄) and Wolframite (Fe,Mn)WO₄.

Tungsten is typically mined from skarn, vein and greisen deposits. It is commonly mined in association with Mo and/or tin 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 0.05% W reported.

Sources: USGS, Geoscience Australia

There has been no material change to the background information contained in this release. Full versions of all the company's earlier releases are available for download from the company's website at

www.desertminesandmetals.com.au

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The information in this report that relates to Korean Exploration Targets and Exploration Results is based on information compiled by Mr Daniel Noonan, a Member of The Australian Institute of Mining and Metallurgy. Mr Noonan is employed as a consultant to the company and is working as the Exploration Manager for the Korean operations. Mr Noonan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'.

The background information on the location and history of the Daehwa project has not materially changed since it was first described in earlier releases that were issued prior to the adoption by the Company of the reporting practices outlined in the 2012 edition JORC code. The information contained in this market release is designed purely to keep investors informed. This release does not include any discussion on new or past exploration results. Mr Noonan consents to the inclusion in this report of information compiled and interpreted by him in the form and context in which it now 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, a list of the Company's announcements to ASX, information on Native Title (including the tenement grant process and heritage surveys) legislative environments under which the Company operates, Corporate Governance, a section on risks, many of which are common to exploration companies, and other useful information. A list of the Company's announcements is also obtainable from the Australian Securities Exchange.