



DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

17 February 2014

The Manager
Announcements
Company Announcements Office
ASX Limited
PO Box H224 Australia Square
SYDNEY NSW 2000

Dear Sir/Madam

Non-renounceable Rights Issue (“Entitlement Issue”)

The Directors are pleased to announce an opportunity for the holders of shares in the Company (**Shareholders**) to participate in a non-renounceable pro-rata Rights Issue.

Pursuant to the Entitlement Issue, assuming no options are exercised prior to the Record Date, the Company will issue up to 53,321,806 new fully paid ordinary shares (**New Shares**) at 1.5 cents per share (**Offer**) to raise up to \$799,827 (before costs). The New Shares will be offered on the basis of one (1) new share for every three (3) shares held in the capital of the Company at the Record Date (**Entitlement**).

The New Shares will be fully paid and will rank equally with the Company’s existing issued Shares.

Holders of fully paid shares on the Company’s Register as at **5.00pm (WST) on 28 February 2014 (Record Date)** are entitled to take up this Offer.

An Appendix 3B with respect to the Entitlement Issue follows. The Prospectus will be lodged on or about 19 February 2014.

Drilling is planned for exciting molybdenum, tungsten and gold/silver targets in South Korea and proceeds of the Rights Issue will be utilised to finance the Company’s exploration and business development programmes as well as working capital.

The Company’s major shareholder, Aurora Minerals Limited, has advised that it intends to subscribe for its full Entitlement.

Shortfall

The Entitlement Issue is not underwritten. Shareholders will be given the opportunity to apply for Shares over and above their entitlement from any Shortfall.

The Directors reserve the right to place any Shortfall at their discretion.

Key dates

With respect to the Entitlement Issue, the Company will accept applications until 5.00pm WST on 21 March 2014 or any other date the Directors in their absolute discretion determine, subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable law. An indicative timetable for the Entitlement Issue is as follows:

Appendix 3B lodged with ASX	17 February 2014
Prospectus lodged with ASIC & ASX	19 February 2014
Notice sent to Shareholders containing information required by Appendix 3B	21 February 2014
“Ex” Date (date Shares are quoted ex-rights)	24 February 2014
Record Date to determine Entitlements	28 February 2014
Opening date and despatch of Prospectus	6 March 2014
Closing Date for Receipt of Acceptances and Application Monies	21 March 2014
Securities quoted on a deferred settlement basis	24 March 2014
Advice to ASX of under subscriptions	26 March 2014
Issue of New Shares	27 March 2014
Quotation of Shares issued under the Offer and despatch of holding statements	28 March 2014

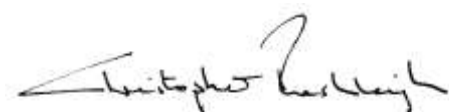
Note: These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice, subject to compliance with the Listing Rules.

Corporations Act

It is advised that:

- (a) The issuer of the Securities is Desert Mines and Metals Limited and the Securities are in a class that is already quoted on the ASX;
- (b) A disclosure document under section 713 of the Corporations Act will be made available when the Securities are offered.
- (c) The disclosure document is expected to be made available on 19 February 2014 and will be mailed to shareholders in the Company at their addresses as shown on the register of members on or around 6 March 2014 and will also be available on the Company’s web site www.desertminesandmetals.com.au from that date.
- (d) Shareholders and other interested investors should consider the disclosure document in deciding whether to apply for or acquire Securities under the offer.
- (e) Anyone who wants to apply for or acquire Securities will need to complete an application form accompanying the disclosure document.

Yours faithfully



Chris Rashleigh
Managing Director
Desert Mines and Metals Limited

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Desert Mines and Metals Limited

ABN

56 123 102 974

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | Fully Paid Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | Up to 53,321,806 fully paid ordinary shares (to be confirmed dependent upon acceptances). The maximum number of securities to be issued could increase if options are exercised prior to the Record Date by optionholders who take up their entitlements under the pro rata issue. |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully Paid |

+ See chapter 19 for defined terms.

4	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?	Yes, will rank equally with fully paid securities already on issue.
	<p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	
5	Issue price or consideration	1.5 cents/Fully Paid Ordinary Share
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Proceeds from the issue will be used on exploration in South Korea, business development and for working capital. (Refer to Prospectus).
6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?	N/A
	If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i	
6b	The date the security holder resolution under rule 7.1A was passed	N/A
6c	Number of +securities issued without security holder approval under rule 7.1	N/A
6d	Number of +securities issued with security holder approval under rule 7.1A	N/A

+ See chapter 19 for defined terms.

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A		
6f	Number of +securities issued under an exception in rule 7.2	53,321,806 fully paid shares or such greater number as may be issued as a result of options being exercised prior to the Record Date by optionholders who elect to participate in the pro rata issue		
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A		
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A		
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	N/A		
7	<p>+Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	27 March 2014		
		<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Number</td> <td style="width: 50%;">+Class</td> </tr> </table>	Number	+Class
Number	+Class			

+ See chapter 19 for defined terms.

8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the ⁺ securities in section 2 if applicable)	213,287,224 (To be confirmed dependent upon acceptances) or such greater number as may be issued as a result of options being exercised prior to the Record Date by optionholders who elect to participate in the pro rata issue.	Ordinary Shares																								
9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the ⁺ securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th data-bbox="702 660 989 705">Number</th> <th data-bbox="1005 660 1292 705">⁺Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="702 705 989 750">7,500,000</td> <td data-bbox="1005 705 1292 795">Options- exercisable at 34.017 cents by 31 October 2014</td> </tr> <tr> <td data-bbox="702 795 989 840">7,500,000</td> <td data-bbox="1005 795 1292 884">Options exercisable at 50 cents by 22 November 2015</td> </tr> <tr> <td data-bbox="702 884 989 929">3,850,000</td> <td data-bbox="1005 884 1292 974">Options exercisable at 40 cents by 17 September 2014</td> </tr> <tr> <td data-bbox="702 974 989 1019">8,000,000</td> <td data-bbox="1005 974 1292 1041">Options exercisable at 40 cents by 17 May 2017</td> </tr> <tr> <td data-bbox="702 1041 989 1086">10,000,000</td> <td data-bbox="1005 1041 1292 1108">Options exercisable at 40 cents by 22 June 2017</td> </tr> <tr> <td data-bbox="702 1108 989 1153">200,000</td> <td data-bbox="1005 1108 1292 1176">Options exercisable at 40 cents by 31 July 2014</td> </tr> <tr> <td data-bbox="702 1176 989 1220">3,000,000</td> <td data-bbox="1005 1176 1292 1265">Options exercisable at 14.5 cents by 2 September 2014</td> </tr> <tr> <td data-bbox="702 1265 989 1310">300,000</td> <td data-bbox="1005 1265 1292 1355">Options exercisable at 15.08 cents by 7 December 2014</td> </tr> <tr> <td data-bbox="702 1355 989 1400">300,000</td> <td data-bbox="1005 1355 1292 1422">Options exercisable at 5.0 cents by 22 August 2014</td> </tr> <tr> <td data-bbox="702 1422 989 1467">8,100,000</td> <td data-bbox="1005 1422 1292 1512">Options exercisable at 3.43 cents by 22 August 2015</td> </tr> <tr> <td data-bbox="702 1512 989 1556">8,100,000</td> <td data-bbox="1005 1512 1292 1601">Options exercisable at 4.57 cents by 22 August 2016</td> </tr> </tbody> </table>	Number	⁺ Class	7,500,000	Options- exercisable at 34.017 cents by 31 October 2014	7,500,000	Options exercisable at 50 cents by 22 November 2015	3,850,000	Options exercisable at 40 cents by 17 September 2014	8,000,000	Options exercisable at 40 cents by 17 May 2017	10,000,000	Options exercisable at 40 cents by 22 June 2017	200,000	Options exercisable at 40 cents by 31 July 2014	3,000,000	Options exercisable at 14.5 cents by 2 September 2014	300,000	Options exercisable at 15.08 cents by 7 December 2014	300,000	Options exercisable at 5.0 cents by 22 August 2014	8,100,000	Options exercisable at 3.43 cents by 22 August 2015	8,100,000	Options exercisable at 4.57 cents by 22 August 2016	
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10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No dividend policy is currently in place since the Company is involved only in exploration.																									

Part 2 - Pro rata issue

⁺ See chapter 19 for defined terms.

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-renounceable
13	Ratio in which the ⁺ securities will be offered	One for three
14	⁺ Class of ⁺ securities to which the offer relates	Fully Paid Ordinary Shares
15	⁺ Record date to determine entitlements	28 February 2014
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Yes
17	Policy for deciding entitlements in relation to fractions	Fractions will be rounded down
18	Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	Nil
19	Closing date for receipt of acceptances or renunciations	21 March 2014

⁺ See chapter 19 for defined terms.

20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	6 March 2014
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	19 February 2014
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

- 32 How do security holders dispose of their entitlements (except by sale through a broker)?
- 33 ⁺Issue date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of ⁺securities
(tick one)
- (a) ⁺Securities described in Part 1
- (b) All other ⁺securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities N/A

Tick to indicate you are providing the information or documents

- 35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

39 +Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)		

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- ~~If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.~~

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: 
(Company secretary)

Date: 17 February 2014

Print name: Eric Moore

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+ See chapter 19 for defined terms.