



DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

ASX RELEASE

27 January 2011

Large Diversified Exploration Portfolio In Western Australia

Substantial Shareholder
Aurora Minerals Limited
40%

Website

www.desertenergy.com.au

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QUARTERLY ACTIVITIES REPORT ENDING 31 DECEMBER 2011

Camel Hills Joint Venture, Western Australia

- Drilling at Dalgety hits copper and gold; best results;
 - 6m @ 1.2g/t gold and 0.25% copper from surface (CHRC07) including 2m @ 2.3g/t gold and 0.44% Cu and:
 - 4m @ 0.56% copper from 58m (CHRC04) including 2m @ 0.9% copper.
- Follow-up prospecting and sampling is planned for the 2012 field season.
- Infill soil sampling completed on Main Grid gold prospect (assays awaited).

Corporate

- Desert's cash position is ~\$2 million.

Camel Hills Joint Venture (Desert earning an initial 51%)

Camel Hills is a large project covering some 1,600km² in the southern Gascoyne Region of Western Australia. The Project covers part of the north-western margin of the Archean Yilgarn Craton and adjacent Proterozoic Errabiddy Shear Zone (Figure 1). Desert is earning into an initial 51% interest in the project from Aurora Minerals Limited.

Dalgety Copper and Gold Prospect

Twenty five reverse circulation (RC) holes were drilled in the quarter testing for possible down dip extensions of surface copper and gold anomalies identified from prospecting and sampling. Four Prospect areas were targeted for reconnaissance shallow RC drilling (Figure 2). The targets were generated from prospect scale mapping and sampling and structural interpretation and are considered possible extensions of the mineralised corridor that hosts Gascoyne Resources' Glenburgh gold deposits situated several kilometres to the southeast.

Forty percent of holes drilled intersected anomalous copper and/or gold mineralisation over generally narrow widths.

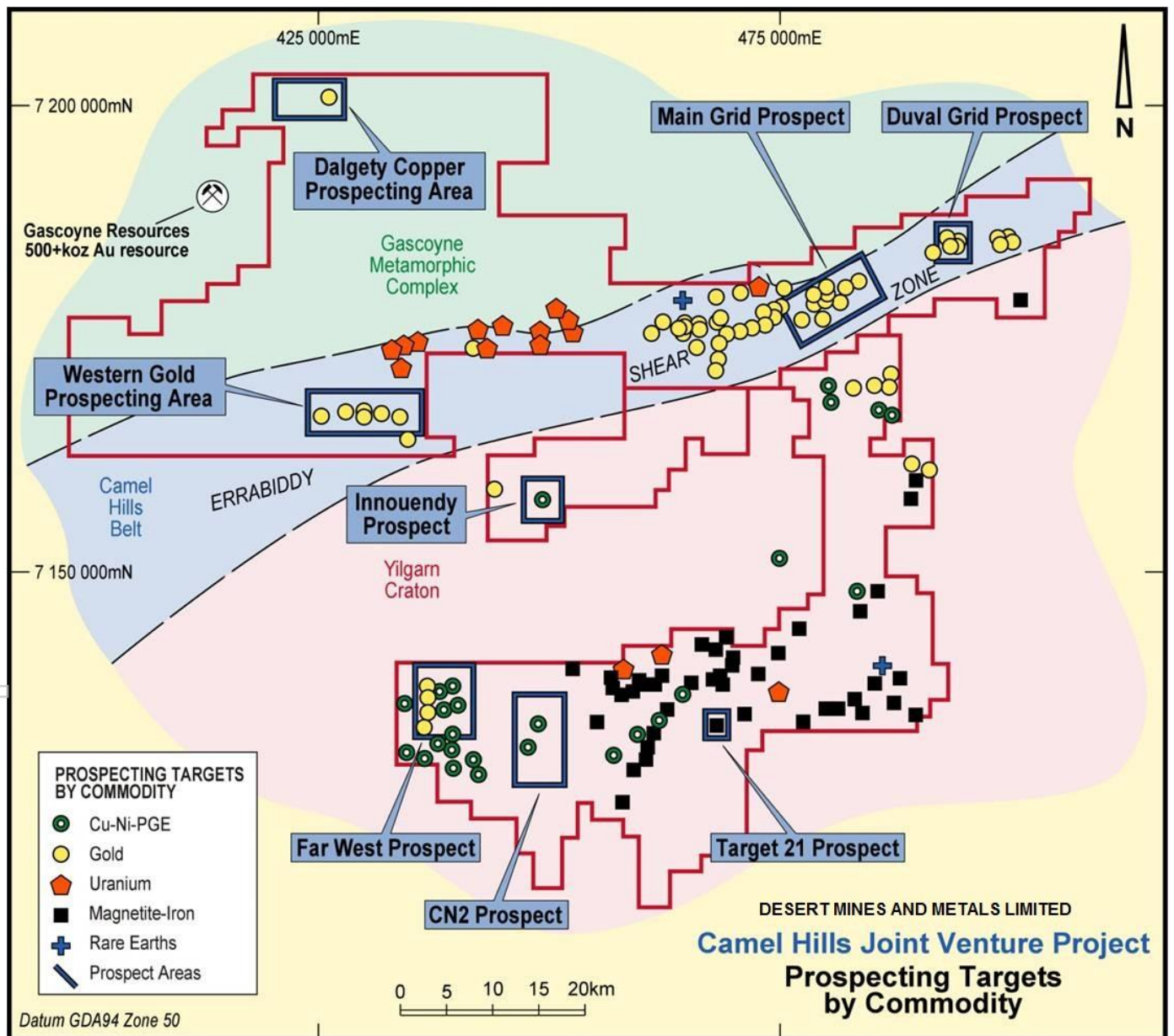
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Dalgety Copper and Gold Prospect (continued)

This initial RC drill program tested four prospects; Saucerer, Min Min, Jacko and Snowbird, with 1,786m drilled in 25 holes (Figure 2). Holes were targeted to intersect the east–west trending gossanous quartz veins (with high grade copper and gold previously reported from surface rock-chips)

Table 1 gives drill-hole details and Table 2 lists significant mineral intercepts. Each metre was sampled and split at the rig. The assay split was spear sampled and combined into 2m composites and sent to a commercial laboratory in Perth for gold, copper and other element analysis. *Quartz veins and siliceous alteration with variable amounts of secondary copper minerals (malachite and azurite) and sulphide mineralisation (pyrite and chalcopyrite) were noted in visual logging.*

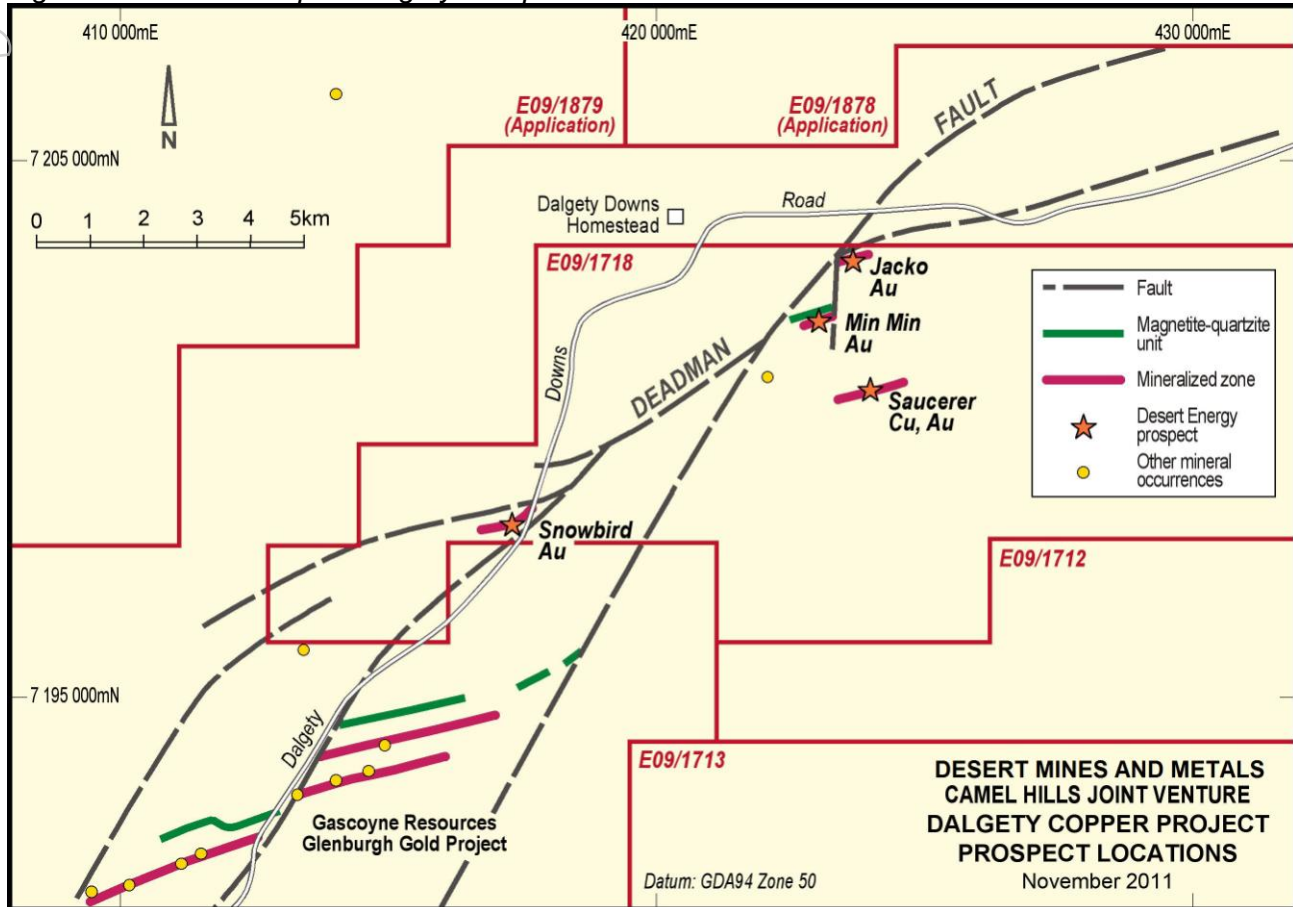
Figure 1: Camel Hills – Prospecting & Drilling Targets



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The Saucerer Prospect produced the most significant results with 9 out of 12 holes drilled intersecting anomalous copper and or gold mineralisation (Table 2). On several section lines mineralisation can be traced from surface (where shallow prospecting pits are observed) to vertical extents of approximately 50-70m below surface. Additional prospecting is planned to follow up on the current results.

Figure 2: Sketch Map of Dalgety Prospect



Main Grid Prospect

Infill soil sampling has now been completed at the Main Grid gold prospect, extending the grid to 4.2km strike. Results are expected next quarter.

Tenements

Based on results of 2011 exploration the large tenement position within the Camel Hills Joint Venture area has been reduced to approximately 1,600km² which adequately covers the known mineralized zones as shown in Figure 1. Those tenements were held in the Aurora Minerals subsidiary, Aurora Resources Pty Ltd.

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 \$3.3 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 1,600km² deemed by the company's geologists as being prospective for gold, copper, nickel and iron ore.

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CORPORATE

As of 31 December 2011, Desert Energy had approximately \$2 million in cash.

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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.

If you would like copies of announcements emailed to you please contact Ken Banks.

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Table 1: Dalgety Prospect RC Drill Hole Details

Hole_ID	Collar_East	Collar_North	Collar_RL	Azm	Dip	Depth
CHRC01	424272	7200779	311	335	60	60
CHRC02	424229	7200756	305	335	60	48
CHRC03	424191	7200724	305	335	60	66
CHRC04	424202	7200704	308	335	60	90
CHRC05	424133	7200720	313	335	60	90
CHRC06	424147	7200696	315	335	60	90
CHRC07	424095	7200679	311	335	60	72
CHRC08	424105	7200662	314	335	60	90
CHRC09	423910	7200627	314	335	60	72
CHRC10	423842	7200684	310	335	60	42
CHRC11	423842	7200662	309	335	60	42
CHRC12	423609	7200832	308	0	60	84
CHRC13	423207	7202048	295	120	60	48
CHRC14	423184	7202069	299	120	60	72
CHRC15	423137	7202071	298	180	60	36
CHRC16	423137	7202088	299	180	60	86
CHRC17	423101	7202004	300	178	60	80
CHRC18	422999	7202117	302	182	60	66
CHRC19	423771	7203176	307	181	60	58
CHRC20	416825	7198160	301	150	60	70
CHRC21	417147	7198191	306	150	60	96
CHRC22	417255	7198217	312	148	60	90
CHRC23	417299	7198238	314	150	60	84
CHRC24	417332	7198266	305	149	60	84
CHRC25	417513	7198352	305	151	60	70

All holes drilled on E09/1718.

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Table 2: Dalgety Prospect RC drilling results, significant intervals

Hole_Id	Prospect	From (m)	To (m)	Interval (m)	Au gpt	Cu %
CHRC01	Saucerer	20	22	2	0.04	0.13
and		48	50	2	0.38	0.42
CHRC03	Saucerer	34	36	2	0.03	0.25
CHRC04	Saucerer	52	54	2	0.05	0.33
and		58	52	4	0.06	0.56
and		68	70	2	0.01	0.50
CHRC05	Saucerer	20	22	2	0.05	0.30
CHRC06	Saucerer	34	38	4	0.09	0.39
CHRC07	Saucerer	0	6	6	1.21	0.25
including		2	4	2	2.30	-
CHRC08	Saucerer	20	22	2	0.12	0.36
CHRC09	Saucerer	52	54	2	0.05	0.25
CHRC10	Saucerer	4	10	6	0.07	0.39
CHRC22	Snowbird	6	8	2	0.01	0.46
and		44	46	2	0.01	0.53
and		50	52	2	0.03	0.24

Significant intervals are greater than 0.1g/t Au or greater than 0.1% Cu lower-cut

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