



DESERT MINES AND METALS LIMITED

ABN 56 123 102 974

# ASX RELEASE

ASX:DSN

31 July 2014

Molybdenum and Tungsten  
Exploration – South Korea

Gold, Silver and Base Metal  
Exploration – South Korea

Exploration – Western Australia

Substantial Shareholders

Aurora Minerals Limited 41%

Indo Gold Limited 7%

W. Goodfellow 8%

Shares on Issue: 191M

[www.desertminesandmetals.com.au](http://www.desertminesandmetals.com.au)

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## QUARTERLY ACTIVITIES REPORT ENDING 30 JUNE 2014

### Highlights

- During the quarter the Korea Resources Corporation (“KORES”) announced the award of a 5 hole, 1960m core drilling programme at Daehwa for the Company’s wholly owned Korean subsidiary, Suyeon Mining Company Limited (“SMCL”)<sup>1</sup>. KORES has a brief to assist Korean companies to explore and develop mining projects within Korea and has, in accordance with that mandate, made this allocation to SMCL.
- Since the end of the quarter, in discussions with KORES, the drilling has been revised to a 4 hole, 1720m programme with the opportunity to extend holes as required. This programme commenced in late July<sup>9</sup>.
- The Company was pleased to announce during the quarter the signing of the Definitive Agreement between SMCL and the vendors of Mining Right Jinan 89, which contains the historic Dongjin and Indae gold and silver mines<sup>2,3,4,5,6</sup>. Mining records from the historic high grade Dongjin and Indae mines demonstrate that operations existed over several decades. These mining reports provide evidence of mine production grades for gold and silver up to 17g/t gold and 232g/t silver. The same mining records also document the production of zinc, lead and copper in addition to gold and silver.
- An airborne magnetic survey previously undertaken over the Jinan 89 area by the Korea Institute of Geoscience and Mineral Resources (KIGAM) identified a significant magnetic high centred below the historic Indae mine with an intense magnetic low identified to the north<sup>7</sup>. This airborne magnetic high is interpreted to be the response to a possible, blind, mineralised intrusive body at depth.
- SMCL is presently in the process of obtaining any required statutory forest clearances and clearances for access from local residents to enable the next stage of project work on Jinan 89 to commence.
- Following the Quarter end a Notice of Meeting of shareholders to be held on 20 August 2014 was lodged with the ASX for a change of Company name to Peninsula Mines Limited to more closely reflect the primary focus of the Company on the Korean peninsula.

## **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, and is comprised of three Mining Rights over Tenements 76166, 77226 and 77227 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. Desert announced on 14 August 2013 that this permission had been granted by the Chungbuk Provincial Government<sup>8</sup>.

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.

Past exploration at Daehwa/Donsan included limited diamond drilling, adit sampling and underground mapping. Only partial records of these 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 Mo/W mineralisation.

During a four month period from mid-April to August 2013, KORES and SMCL jointly funded a four hole, 1,940m 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.

### **AWARD BY KORES OF CORE DRILLING PROGRAMME AT DAEHWA**

In April 2014 KORES announced the award of a 5 hole, 1960m core drilling programme to SMCL at Daehwa.

Since the end of the quarter, in discussions with KORES, the drilling has been revised to a 4 hole, 1720m programme with the opportunity to extend holes as required (Figure 2). This programme commenced in late July<sup>9</sup>.

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 current drilling programme will continue with furthering this objective.

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. Recent examinations of a number of the historic underground workings indicate 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*

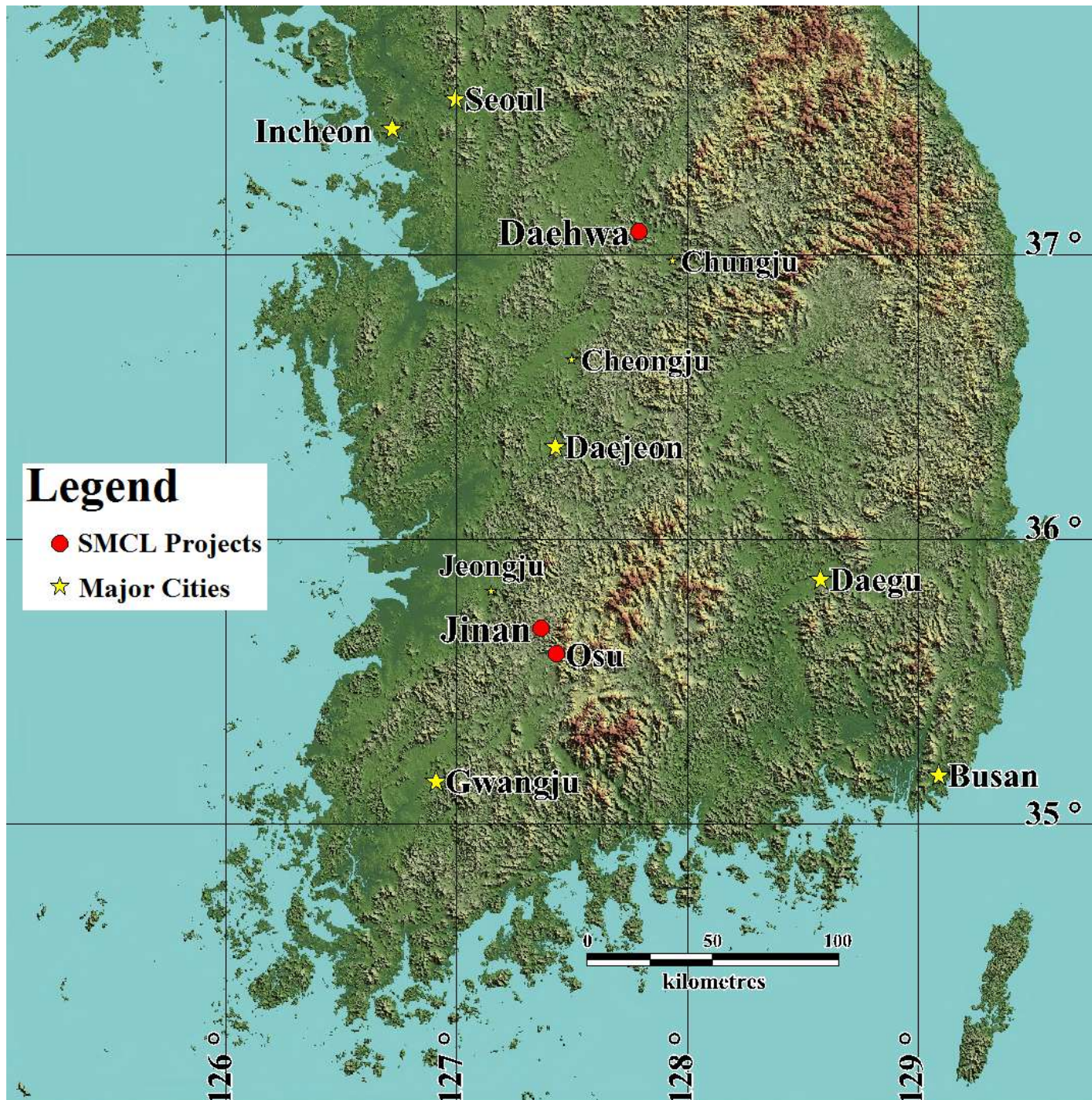
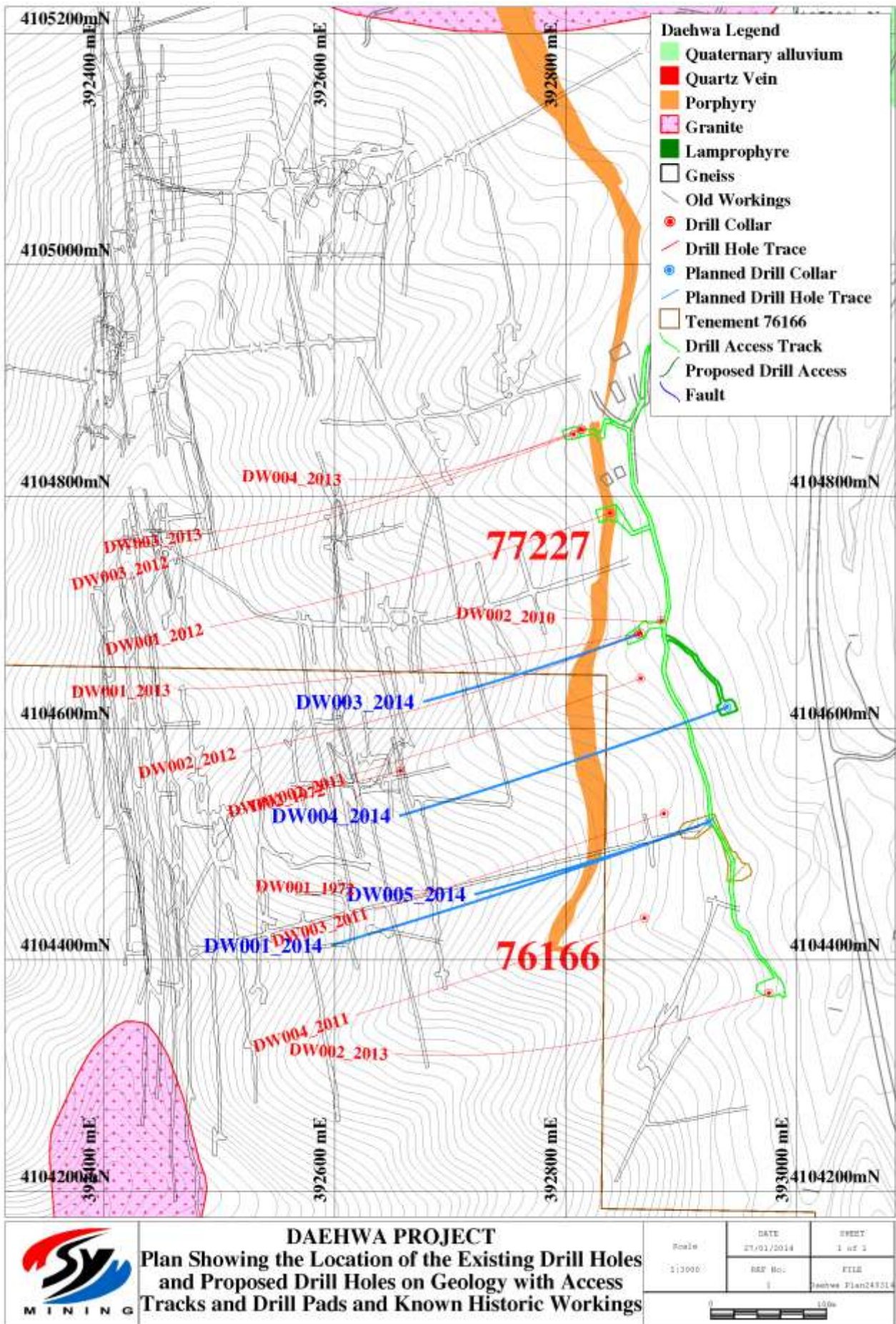


Figure 2: Plan of 2014 Drill Programme



## **JINAN 89 PROJECT**

The Jinan project includes two former polymetallic mines, Dongjin and Indae. On 15 May 2014, SMCL signed the Definitive Agreement that allows the Company to earn 60% interest in the Jinan Project that includes the tenement block Jinan 89 where two former polymetallic Au and Ag mines, Dongjin and Indae are located (Figure 1).

The mineralisation observed to date is characterised by variably sheared and locally hydraulically brecciated narrow vein Quartz sulphide-Au-Ag structures which cut a mixed conglomerate, sandstone, siltstone sequence of the Ma Esan Formation. The mineralisation is interpreted to be emplaced along shear structures and associated with the regional Late Cretaceous plutonic activity. The recently acquired airborne magnetic image indicates that a significant magnetic high is centred below the Indae deposit and the magnetic high is interpreted to be related to a possible intrusive porphyry centre located at an unknown depth under the Indae and Dongjin deposits<sup>3</sup>.

## **Camel Hills Joint Venture (CHJV) (Aurora 49.6% / Desert 50.4%)**

Camel Hills is a large project 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 has a 50.4% participating interest in the JV from Aurora Minerals Limited (49.6%).

Activities for the quarter consisted of ongoing data review. The JV has undertaken tenement rationalisation in the CHJV area with a number of tenements being relinquished or reduced in size. The JV is seeking to retain the Innouendy copper-nickel prospects and Bean Counter magnetite-iron prospects.

## **CORPORATE**

On 31 May 2014, 20,700,000 ordinary shares were released from escrow.

Following the end of the Quarter a Notice of Meeting of shareholders to be held on 20 August 2014 was lodged with the ASX. One of the resolutions was for a name change of the Company to Peninsula Mines Limited to more closely reflect the primary focus of the Company on the Korean peninsula.

A number of other resolutions seek to obtain shareholder approval for a Director and Management Salary Sacrifice Share Plan. Since 1 December 2013 all Directors and Senior Management have been taking a 30% reduction in remuneration. This decision was taken in order to preserve working capital and direct the Company's funds towards its exploration efforts.

Summary List of all previous ASX releases referenced in this report:

1. 1,960 Metres Core Drilling Awarded for Daehwa Project, 15 April 2014
2. Jinan Definitive Agreement signed, 19 May 2014
3. Jinan Project Korea. High grade gold, silver and base metal assays from sampling programme (amended), March 24 2014.
4. Jinan Project Korea. Identification of impressive magnetic anomaly (amended), March 24 2014
5. Project Update, 7 April 2014
6. High grade gold, silver and base metal results from Jinan project, 18 March 2014
7. Impressive magnetic anomaly Jinan project, 17 March 2014
8. Grant of Mining Permission at Daehwa Project in Korea, 14 August 2013
9. Commencement of Drilling at Daehwa Tungsten-Molybdenum Project in South Korea.

Full versions of all the company's releases are available for download from the Company's website

[www.desertminesandmetals.com.au](http://www.desertminesandmetals.com.au)

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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 Exploration Manager for the Company and is employed as a consultant.*

*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 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.*

# Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Desert Mines and Metals Limited

ABN

56 123 102 974

Quarter ended ("current quarter")

30 June 2014

### Consolidated statement of cash flows

| Cash flows related to operating activities   | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|--|----------------------------|--|
| 1.1 Receipts from product sales and related debtors  |                            |  |
| 1.2 Payments for (a) exploration & evaluation<br>(b) development<br>(c) production<br>(d) administration | (100)                      | (890)                                  |
| 1.3 Dividends received   |                            |  |
| 1.4 Interest and other items of a similar nature received  | 3                          | 24                                     |
| 1.5 Interest and other costs of finance paid   |                            |  |
| 1.6 Income taxes paid  |                            |  |
| 1.7 Other (provide details if material)  | -                          | 139                                    |
| <b>Net Operating Cash Flows</b>  | <b>(224)</b>               | <b>(1,343)</b>                         |
| <b>Cash flows related to investing activities</b>  |                            |  |
| 1.8 Payment for purchases of: (a) prospects<br>(b) equity investments<br>(c) other fixed assets          | -                          | (19)                                   |
| 1.9 Proceeds from sale of: (a) prospects<br>(b) equity investments<br>(c) other fixed assets             | 10                         | 138                                    |
| 1.10 Loans to other entities   |                            |  |
| 1.11 Loans repaid by other entities  |                            |  |
| 1.12 Other (provide details if material)   |                            |  |
| <b>Net investing cash flows</b>  | <b>10</b>                  | <b>119</b>                             |
| 1.13 Total operating and investing cash flows<br>(carried forward)                                       | <b>(214)</b>               | <b>(1,224)</b>                         |

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

|   |  |       |         |
|---|--|-------|---------|
| 1.13  | Total operating and investing cash flows (brought forward) | (214) | (1,224) |
| <b>Cash flows related to financing activities</b> |  |       |         |
| 1.14  | Proceeds from issues of shares, options, etc.              | 8     | 478     |
| 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)                        | (13)  | (20)    |
|   | <b>Net financing cash flows</b>                            | (5)   | 458     |
|   | <b>Net increase (decrease) in cash held</b>                | (219) | (766)   |
| 1.20  | Cash at beginning of quarter/year to date                  | 778   | 1,327   |
| 1.21  | Exchange rate adjustments to item 1.20                     | -     | (2)     |
| 1.22  | <b>Cash at end of quarter</b>                              | 559   | 559     |

### Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

|      |  | Current quarter<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 38                         |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10   |                            |

#### 1.25 Explanation necessary for an understanding of the transactions

Item 1.7: Includes release of bonds from Department of Mines and Petroleum for \$118k  
 Item 1.19: Costs of share rights issue

### 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

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|  |
|--|

#### 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

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|--|
|  |
|--|

+ See chapter 19 for defined terms.



### Financing facilities available

*Add notes as necessary for an understanding of the position.*

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             |                             |                        |
| 3.2 Credit standby arrangements |                             |                        |

### Estimated cash outflows for next quarter

|                                | \$A'000    |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 225        |
| 4.2 Development                |            |
| 4.3 Production                 |            |
| 4.4 Administration             | 190        |
| <b>Total</b>                   | <b>415</b> |

### 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank  | 74                         | 546                         |
| 5.2 Deposits at call  | 485                        | 232                         |
| 5.3 Bank overdraft  |                            |                             |
| 5.4 Other (provide details)   |                            |                             |
| <b>Total: cash at end of quarter (item 1.22)</b>  | <b>559</b>                 | <b>778</b>                  |

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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

#### Changes in interests in mining tenements and petroleum tenements

|     | Tenement reference and location   | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed | E09/1549<br>Joint holder      | 51%                              | 0                          |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased           |                               |                                  |                            |

#### 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 | <b>Preference securities</b><br>(description)  |                    |   |  |
| 7.2 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |                    |   |  |
| 7.3 | <b>+Ordinary securities</b>  | <b>191,820,923</b> | <b>191,820,923</b>                            | <b>Fully Paid</b>                                |
| 7.4 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              | <b>500,000</b>     | <b>500,000</b><br><b>1.5 cents</b>            | <b>Fully Paid</b>                                |
| 7.5 | <b>+Convertible debt securities</b><br>(description)   |                    |   |  |

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

|      |   |            |   |                       |                    |
|------|---|------------|---|-----------------------|--------------------|
| 7.6  | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted |            |   |                       |                    |
| 7.7  | <b>Options</b><br>(description and conversion factor)   |            |   | <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         |
|      |   | 3,850,000  | - | 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         |
|      |   | 300,000    | - | 5.0 cents             | 22/08/2014         |
|      |   | 8,100,000  | - | 3.43 cents            | 22/08/2015         |
|      |   | 8,100,000  | - | 4.57 cents            | 22/08/2016         |
|      |   |            | - |                       |                    |
| 7.8  | Issued during quarter   |            |   |                       |                    |
| 7.9  | Exercised during quarter  |            |   |                       |                    |
| 7.10 | Expired during quarter  |            |   |                       |                    |
| 7.11 | <b>Debentures</b><br>(totals only)  |            |   |                       |                    |
| 7.12 | <b>Unsecured notes</b> (totals only)  |            |   |                       |                    |

## 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 5).
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 July 2014  
 (Company secretary)

Print name: Eric Moore

## Notes

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

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- 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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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