

ABN: 56 123 102 974

ASX RELEASE

28 April 2011

Large Diversified Exploration Portfolio In Western Australia

Substantial Shareholder
Aurora Minerals Limited
40%

Website

www.desertenergy.com.au

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this release and the
Company please contact:

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QUARTERLY ACTIVITIES REPORT ENDING 31 MARCH 2011

Camel Hills Joint Venture, Western Australia

- High Priority Iron-Ore targets generated for drilling in Q2/2011.
- Airborne VTEM Survey commissioned for Far West, Innouendy and 3D Cu-Ni prospects.
- Ground-based Gravity Survey commissioned for additional iron-ore targets.
- ~\$2.2m raised in placement to Sophisticated & Corporate Investor.

Corporate

- Desert's cash position is ~\$3.9 million.

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

Camel Hills is a large project covering some 5000km² 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. Desert is earning into an initial 51% interest in the project from Aurora Minerals Limited.

IRON ORE

During the quarter the results of first phase drilling of the outcropping magnetite-quartzite units (T21) were analysed with relation to the numerous magnetic anomalies observed from the reprocessed airmagnetic data previously collected. The reprocessed data complements Desert's earlier field campaigns where numerous iron ore prospects were identified from surface prospecting and sampling.

Target "T21" was selected for Desert's maiden magnetite iron drilling program due to its outcropping nature and relative ease of access. T21 also displayed a strong magnetic signature. However, many additional targets have been noted from the above work as shown in Figure 2, some of which are interpreted to lie under shallow alluvial cover. Several of these targets are larger than T21 and hence represent important follow up targets.

IRON ORE (CONTINUED)

Also noted in the reprocessed airborne magnetic data are various discontinuities in the magnetic signatures which could indicate areas of magnetite-quartzite which have been altered to other iron minerals, examples of which have been observed in other Mid-West iron projects.

Desert has commissioned a ground-based gravity survey over selected iron formations in its Camel Hill JV project area. This survey is expected to help define additional magnetite iron-ore exploration targets for drilling and outline possible hematite deposits along strike from the known magnetite mineralisation (which would not otherwise be detected from a magnetic survey).

Previous beneficiation testwork undertaken on rock-chip samples from other magnetite-quartzite prospects in the project area has yielded up to 70% Fe in concentrate. The testwork on four samples demonstrated that the magnetite is quite crystalline and would produce a high quality concentrate if crushed to $-75\mu\text{m}$. The concentrates displayed high iron and low combined Si, Al and Phosphorus, potentially yielding a premium product.

Further Davis Tube testwork ("DTR") is being conducted on selected samples from the T21 drilling to determine the recovery properties of the magnetite iron. The raw assay data and previous DTR work completed on rock chip samples from the project area suggests that a high grade concentrate with low levels of impurities can be produced from the Camel Hills magnetite iron-ore.

GOLD EXPLORATION PROGRAM

Site access was restricted during the quarter due to exceptionally heavy summer rainfall across much of Northern and Central Western Australia but field activities resumed in early April. A field crew has commenced follow-up gold-in-soil sampling along the Errabiddy Shear zone which trends approximately NE-SW over some 80km through the northern half of the Camel Hills Project area. Follow-up includes exploration at the Main Grid Prospect where a coherent 500m long gold-in-soil anomaly with localised rock chip samples to 2.8g/t is continuing with a view to extending the anomaly before drilling (Figure 3).

COPPER-NICKEL EXPLORATION PROGRAM

A VTEM airborne geophysical survey over three areas in the southern part of the Camel Hills joint venture is due to commence this month. The target is massive copper-nickel sulphides associated with small mafic to ultramafic intrusives at Far West, CN2 and Innouendy. The VTEM (Versatile Time-domain Electromagnetic) system is considered ideal for this type of target. This survey is expected to be completed by May 2011.

Figure 1: Camel Hills – Prospecting Targets

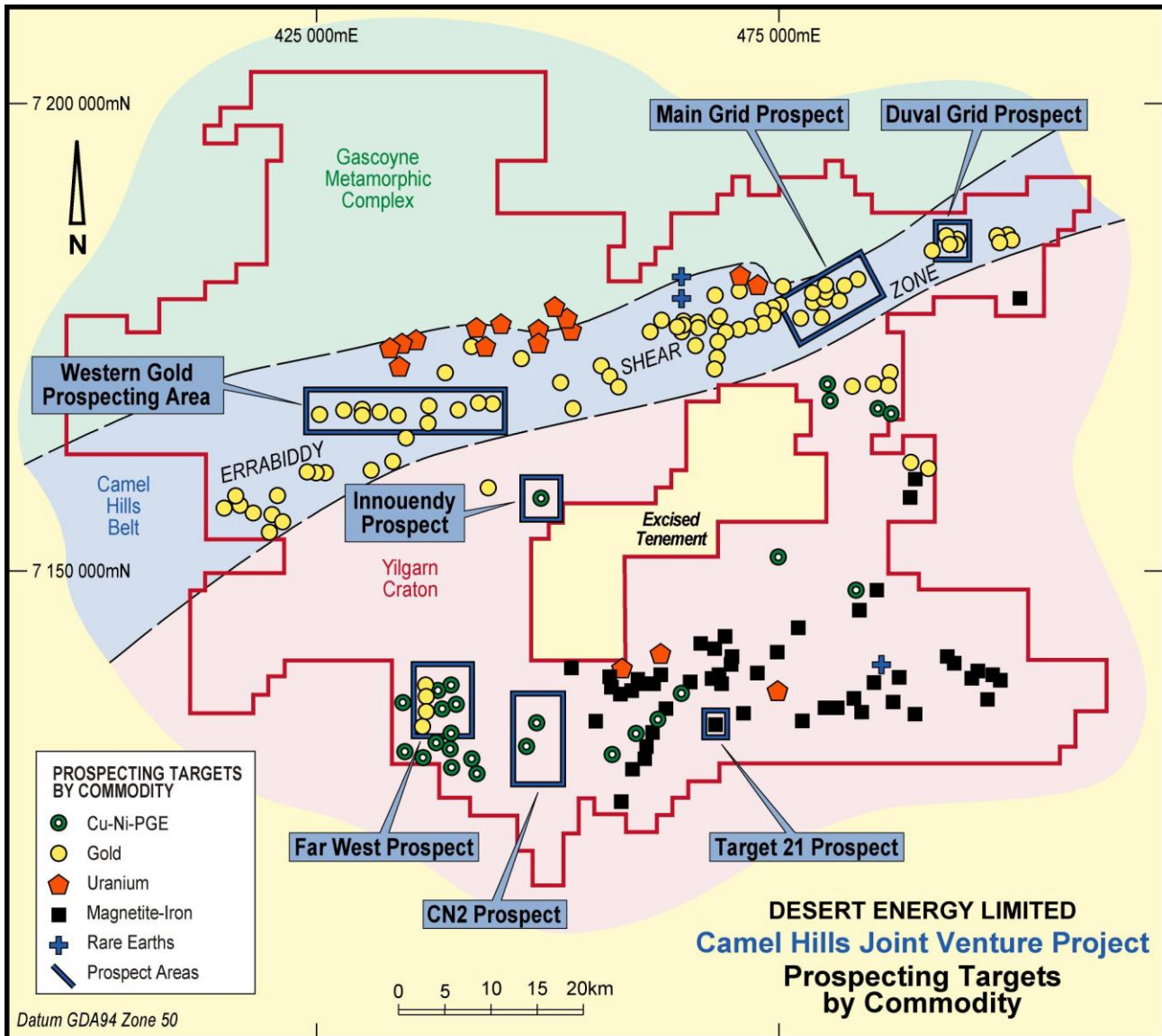


Figure 2: Camel Hills Iron Ore prospect locations on processed magnetic image showing high priority targets

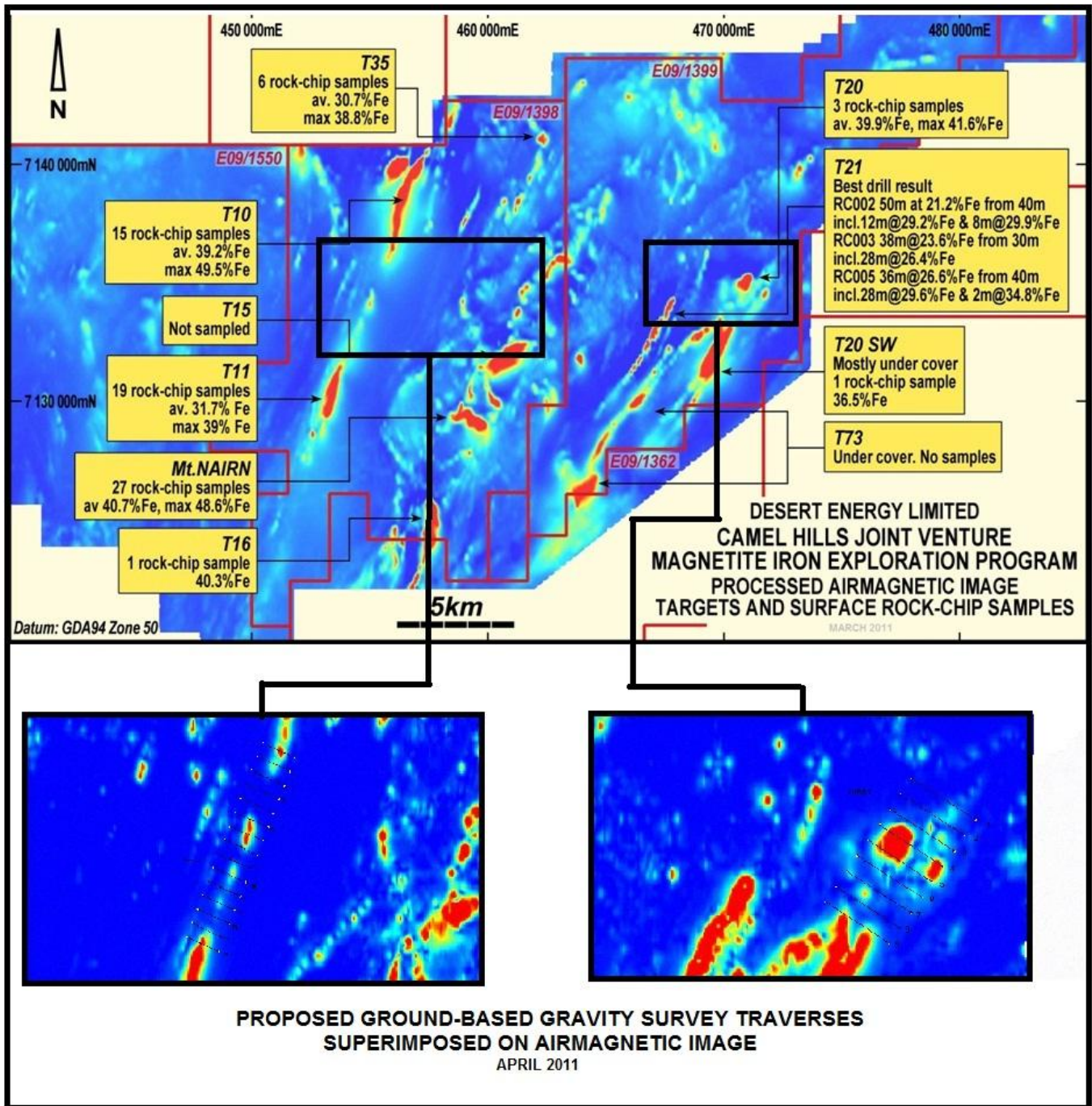
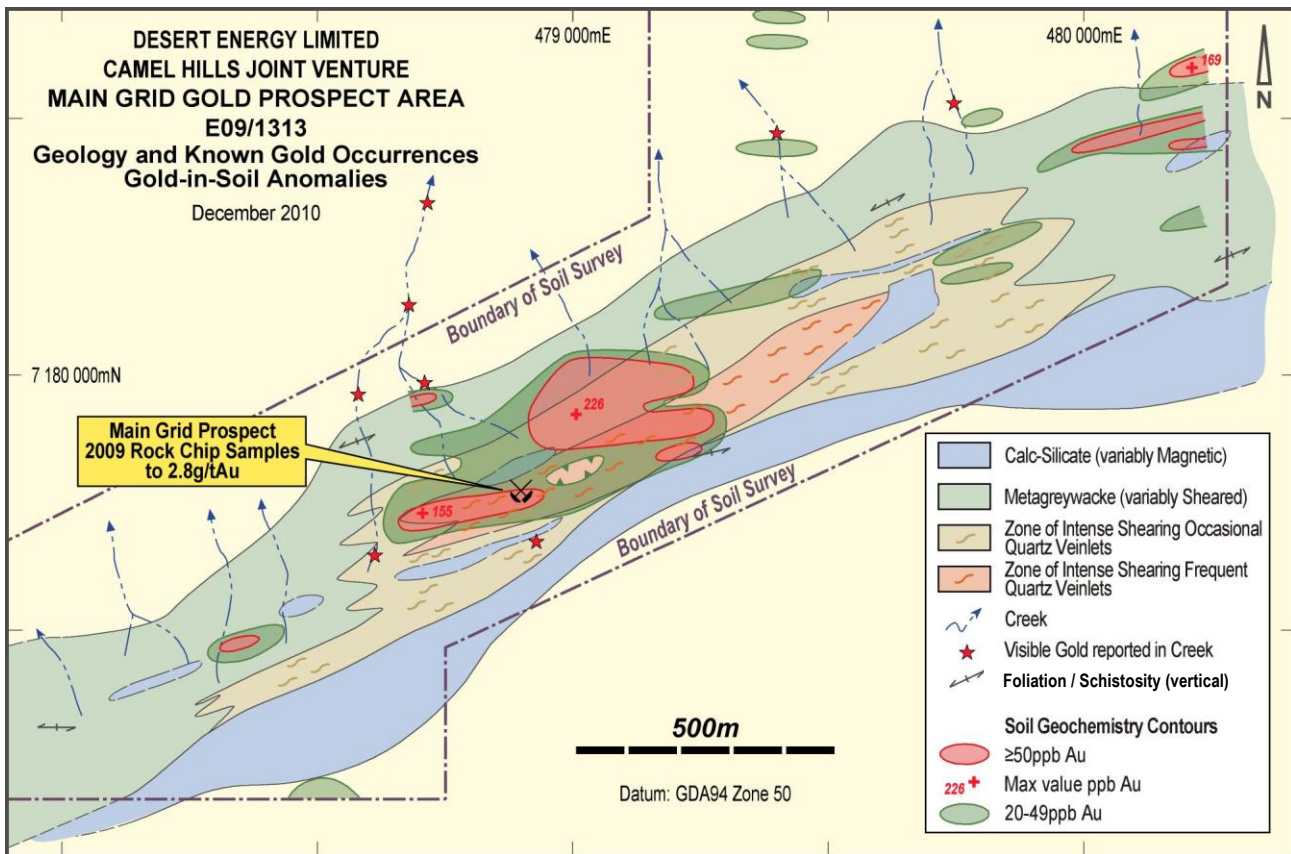


Figure 3: Main Grid Gold Prospect



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 \$3.8 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.

CORPORATE

As of 31 March 2011, Desert Energy had approximately \$3.94 million in cash. During the quarter the company placed ~2M shares to raise ~\$2.2M before expenses to sophisticated investors and a corporate investor.

Martin Pyle
Executive Director
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Robert Taylor
Executive Director

The information in this presentation 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. Executive Director of Aurora Minerals Limited and Desert Energy Limited, Robert Taylor consults to the Companies through his respective consulting company Able Kids Pty Ltd.

Robert Taylor 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 Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Robert Taylor consents to the inclusion in the presentation of the matters based on this information in the form and context in which it appears.

The Company's website (www.desertenergy.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) including the Desert Energy Prospectus, the 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.

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

Appendix One: Drill Assay Results Camel Hills T21 Magnetite Iron Prospect

Hole	MGA East	MGA North	From (m)	To (m)	Interval	% Fe	Comments	
CHT21RC001	467600	7134000	0	34	34	19.0	oxidised	
			incl.	12	16	4	26.8	
			incl.	24	34	10	29.1	
			and	40	60	20	21.1	
			incl.	46	54	8	27.7	
CHT21RC002	467640	7134000	40	90	50	21.2		
			incl.	46	58	12	29.2	
			incl.	62	68	6	25.9	
			incl.	78	86	8	29.9	
CHT21RC003	467100	7133200	30	68	38	23.6		
			incl.	38	66	28	26.4	
CHT21RC004	467280	7133200	128	152	24	11.0		
CHT21RC005	466720	7132400	40	76	36	26.6		
			incl.	42	70	28	29.6	
			incl.	74	76	2	34.8	
CHT21RC006	466840	7132400	16	22	6	17.9	oxidised	
			incl.			2	26.3	
CHT21RC007	466440	7131800	8	16	8	16.7	oxidised	
			incl.	12	14	2	24.5	
CHT21RC008	466480	7131800	32	40	8	25.0	oxidised	
			incl.	32	36	4	35.1	
			incl.	38	40	2	26.3	
			and	48	52	4	21.7	oxidised
			incl.	50	52	2	30.2	
CHT21RC009	465840	7131000	0	29			hole abandoned	
CHT21RC010	465840	7130997	0	131			no significant assay	

NOTES:

Datum used GDA94 ; MGA Zone 50

All holes drilled 60° to the west

Hole CHT21RC010 is a re-drill of hole 9

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 Energy Limited

ABN

56 123 102 974

Quarter ended ("current quarter")

31 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 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	(363)	(848)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	33	117
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	0	21
Net Operating Cash Flows	(467)	(1,162)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(0)	(1)
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)	(1)
1.13 Total operating and investing cash flows (carried forward)	(467)	(1,163)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(467)	(1,163)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,189	2,189
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)	(101)	(101)
	Net financing cash flows	2,088	2,088
	Net increase (decrease) in cash held	1,621	925
1.20	Cash at beginning of quarter/year to date	2,321	3,017
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,942	3,942

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	61
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

- 1.14 Desert Energy issued 19.9m shares in February at 11c to raise \$2.189m before costs
1.19 Costs associated with the issue of new shares

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	787
4.2	Development	-
4.3	Production	-
4.4	Administration	153
Total		940

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	354	308
5.2 Deposits at call	3,588	2,013
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,942	2,321

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			

+ 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	19,899,998	19,899,998	11.0 cents	Fully Paid
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
	1,700,000	-	50.0 cents	22/12/2011
	562,500	-	31.0 cents	30/11/2012
	500,000	-	38.0 cents	30/04/2011
	330,000	-	35.0 cents	31/05/2013
	630,000	-	35.0 cents	30/11/2012
	1,750,000	-	30.0 cents	30/06/2013
	1,000,000	-	34.0 cents	31/10/2013
	12,850,000	-	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
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired/cancelled during quarter				

+ 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: 28 April 2011

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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+ See chapter 19 for defined terms.