

ASX
RELEASE

29 October 2009

**Large Calcrete Uranium
Exploration Portfolio In
Western Australia**

Website

www.desertenergy.com.au

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this release and the
Company please contact:

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**QUARTERLY ACTIVITIES REPORT
ENDING SEPTEMBER 2009**

Drilling Approvals Received

Approvals have now been received from the Western Australian Department of Mines and Petroleum to commence drilling at six of Desert Energy's 100% owned calcrete uranium projects in the northeast Yilgarn Region of Western Australia.

Preparations for drilling at the following projects are now advanced:

- North and South Kurrajong,
- Downs East Extended,
- Bellview
- Barrambie
- Maitland

These projects lie in the northeast Yilgarn Region of Western Australia, home to the large Yeelirrie calcrete-hosted uranium deposit owned by BHP-Billiton. BHP-Billiton has recently announced its intention to develop the Yeelirrie deposit and also upgraded the deposit potential to 150,000 tonnes of U₃O₈.

The approval process for drilling in Western Australia has increased significantly in recent months with new stringent processes required in order to seek consents, resulting from significantly increased regulation of the uranium industry by the Department of Mines and Petroleum. This applies to radiation management, occupational health and safety, and environmental aspects.

The Company has worked with the Department through these processes to pursue its drilling strategy and efficiency objective to test as many targets per program as it can.

Reclamation and Rehabilitation Completed

Reclamation and rehabilitation has been completed at the Downs East, Charlie and Galilee Projects, with Old Station East and Texas Well planned for the December quarter.

A Letter From The Chairman

Attached is the Chairman, Phillip Jacksons' address to shareholders in the 2009 Desert Energy Annual Report which illustrates the high levels of activity and planning during the year:

Robert Taylor
Executive Director

Garry O'Hara
Executive Director

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled Garry P O'Hara, a corporate member of the Australasian Institute of Mining and Metallurgy.

Garry O'Hara is an executive director of Desert Energy Limited and consults to the Company through his consulting company Anketell Pty Ltd.

Garry O'Hara 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'. Garry O'Hara consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company's website is recommended reading for interested market watchers, brokers and investors. The website contains information on the Company's projects including maps, a list of the Company's announcements to ASX, information on Native Title (including the tenement grant process and heritage surveys) including in 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 website at www.asx.com.au

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

Chairman's Address 2009 Desert Energy Annual Report

Dear Shareholders

Again it is my pleasure to present to you the 2009 Annual Report for Desert Energy Limited. 2009 was a year where the company has made significant progress.

This past year has been a challenging one for all mineral exploration companies, including Desert Energy, and I am proud to report that the proactive response by your Company, in limiting costs, has still allowed it to carry out strategic value-added drilling programs.

The Board of Desert Energy quickly addressed the impact of the Global Financial Crisis by implementing an efficiency drive, culminating in significant cost savings. Desert Energy moved to a combined office/warehouse facility at a new location, Belmont, 15 minutes from the Perth CBD, and the Directors and consultants to the Company all took significant fee reductions at that time.

This prudent cost management, together with the large volume of results from the "road to discovery" exploration program in 2008 enabled Desert Energy to drill test six projects, with a further five planned for drilling in the latter half of 2009. Wide spaced drilling at Old Station West, Charlie and Galilee, in the northeast Yilgarn Region, intersected thick zones of calcrete with low-grade anomalous uranium. This, together with the Downs East drilling, vindicated the Company's geological model of searching for potential uranium deposits in previously undiscovered calcrete beneath extensive sand cover. Obviously the aim now is to find high grade uranium with the calcrete.

The drilling program is expected to continue very shortly with planned testing of targets at Kurrajong, Downs East Extended, Bellview, Barrambie and Maitland Projects, also in the Northeast Yilgarn.

These wide spaced reconnaissance drilling programs have been designed by Desert Energy as an effective means of testing a large number of targets in the expanded portfolio, increasing the chances of finding an economic uranium deposit.

There has been some delay in drilling these projects due to new (mid 2009) stringent consenting processes which have resulted from significantly increased regulation of the uranium industry in recent months by the Western Australian Department of Mines and Petroleum.

Your Company's geologists have persevered through these processes and approvals for drilling are now coming through.

During the year shareholders voted in favour of the purchase of Dawn Metals Limited, a 100% owned subsidiary of Aurora Minerals Limited, for a consideration of \$400,000 plus shares in Desert Energy. Dawn Metals holds a number of exploration licences and exploration licence applications in the northeast Yilgarn Region of Western Australia, home to the large Yeelirrie calcrete-hosted uranium deposit owned by BHP-Billiton.

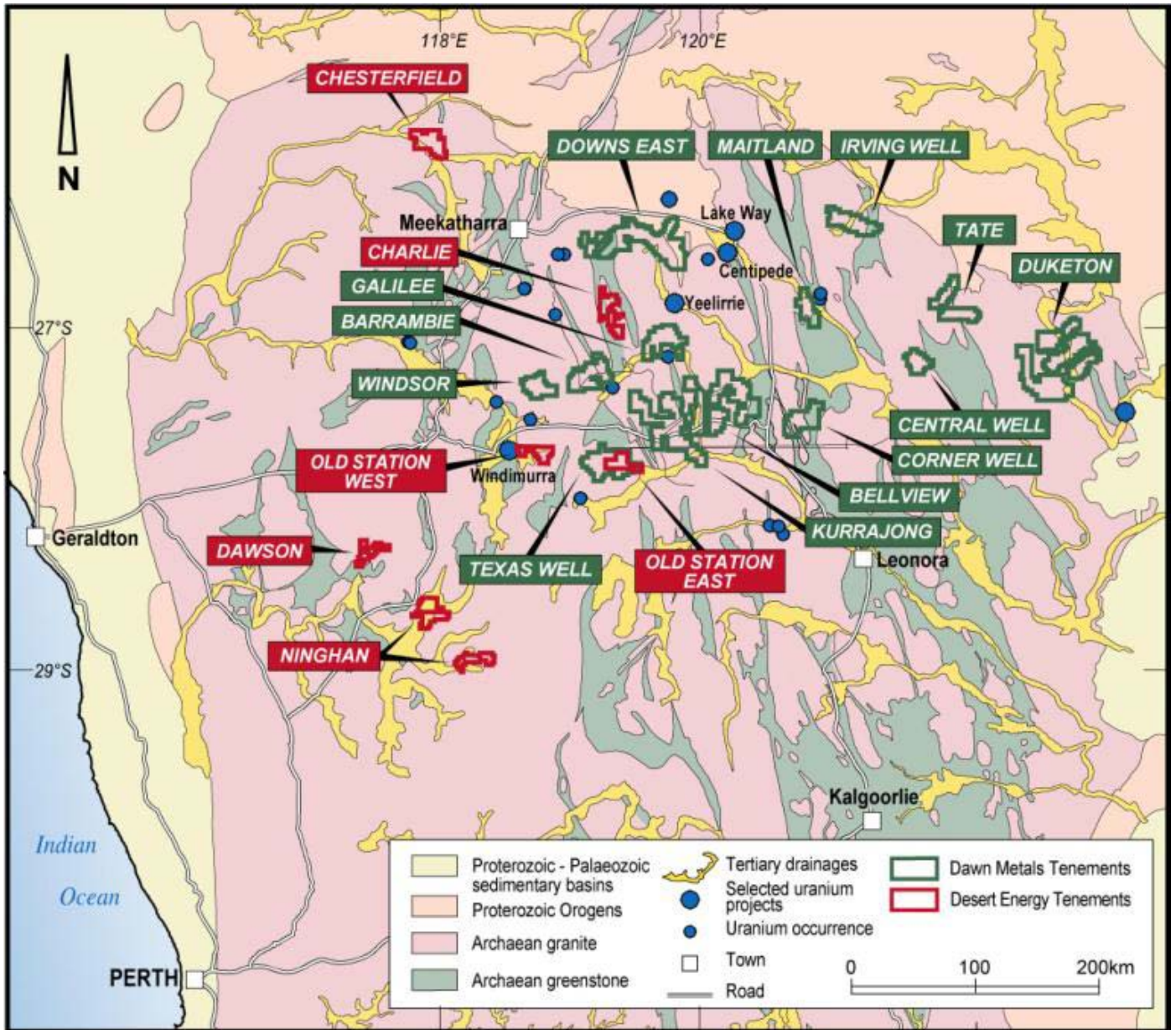
The purchase resulted in Aurora Minerals increasing its equity interest in Desert Energy to 52%.

The Dawn Metals portfolio fits well with that of Desert Energy, and as a result Desert Energy now has 23 projects covering 12,564 km², centred in the Yeelirrie region and giving it one of the largest calcrete-hosted uranium exploration project portfolios in Western Australia.

In November 2008, the new State Government reversed the previous Government's policy on uranium mining, to now allow uranium mining in Western Australia. One consequence was the announcement by BHP-Billiton, of plans to develop the Yeelirrie deposit and an upgrade in the deposit potential to 150,000 tonnes U₃O₈.

At the end of September 2009 the Company had approximately \$3m in cash and receivables. I would like to thank my fellow directors and the team at Desert Energy for their efforts and commitment to the exploration of its large calcrete uranium project portfolio. I wish to thank the shareholders for their support during what has been a tough year.

Phillip Jackson
CHAIRMAN



Desert Energy Ltd
Calcrete Uranium Projects on the Yilgarn Block