



29 October 2010

Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Appendix 5B: Quarterly Cash Flow Report

Attached is the Appendix 5B Quarterly Cash Flow Report for the company for the quarter ended 30 September 2010.

Yours faithfully

P.C.Ruttledge
Company Secretary

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")

30 September 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(164)	(164)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	36	36
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(283)	(283)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(1)	(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	(1)	(1)
1.13 Total operating and investing cash flows (carried forward)	(284)	(284)

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(284)	(284)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
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)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(284)	(284)
1.20	Cash at beginning of quarter/year to date	3,017	3,017
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,733	2,733

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	80
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

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	250
4.2	Development	-
4.3	Production	-
4.4	Administration	150
Total		400

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	133	252
5.2 Deposits at call	2,600	2,765
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,733	3,017

Changes in interests in mining tenements

	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	E09/1382	Holder	100%	0%
	E36/644	Holder	100%	0%
	E36/646	Holder	100%	0%
	E36/648	Holder	100%	0%
	E36/649	Holder	100%	0%
	E38/2078	Holder	100%	0%
	E38/2079	Holder	100%	0%
	E51/1173	Holder	100%	0%
	E51/1264	Holder	100%	0%
	E51/1287	Holder	100%	0%
	E53/1370	Holder	100%	0%
	E53/1404	Holder	100%	0%
	E58/354	Holder	100%	0%
	E58/368	Holder	100%	0%
	E59/1284	Holder	100%	0%
E57/672	Holder	100%	0%	

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6.2 Interests in mining tenements acquired or increased

CAMEL HILLS JOINT VENTURE
 Under the terms of the joint venture agreement Desert can earn a 51% interest by sole funding the first \$3.8 million of exploration expenditure within a maximum of 4 years, of which \$1.5m must be spent in the first year. Desert can elect to continue sole funding to earn an additional 19% interest in the project, for a total 70% interest. Background on the transaction is discussed in the Notice of Meeting dated 11 May 2010.

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	99,760,643	99,760,643		Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	25,222	25,222	25.00	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				

+ See chapter 19 for defined terms.

7.7	Options (<i>description and conversion factor</i>)	7,500,000	-	<i>Exercise price</i> 34.017 cents	<i>Expiry date</i> 31/10/ 2014
		7,500,000	-	50.0 cents	22/11/2015
		2,050,000	-	50.0 cents	22/12/2011
		3,375,000	-	34.017 cents	30/11/ 2010
		2,000,000	-	37.2 cents	30/11/2010
		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
		1,800,000	-	30.0 cents	30/06/2013
		1,000,000	-	34.0 cents	31/10/2013
		1,000,000	-	34.0 cents	31/10/2013
		13,450,000	-	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		
7.8	Issued during quarter	200,000	-	40.0 cents	31/07/2014
		3,000,000	-	14.5 cents	02/09/2014
7.9	Exercised during quarter				
7.10	Expired/cancelled during quarter				
7.11	Debentures (<i>totals only</i>)				
7.12	Unsecured notes (<i>totals only</i>)				

Compliance statement

- 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).
- This statement does ~~does not~~^{*} (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Peter Rutledge
(Company Secretary)

Date: 29 October 2010

Print name: Peter Rutledge

Notes

- 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.

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- 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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