Desert Energy

Diversified Minerals Explorer

ASX RELEASE

10 January 2011

Large Diversified Exploration Portfolio In Western Australia

Substantial Shareholder
Aurora Minerals Limited
48%

Website
www.desertenergy.com.au

For further information on this release and the Company please contact:

Investor Relations Manager
Ken Banks
Office
+61 2 8969 2777
Mobile Phone
+61 (0) 402 079 999

Email
kbanks@auroraminerals.com

ABN: 56 123 102 974

CAMEL HILLS MAGNETITE DRILLING SUCCESS

Highlights

- **Broad intervals of magnetite reported in 8 out of 9 holes drilled**
- **Best results include:**
  - **RC002 50m @ 21.2% Fe from 40m**
    - **Incl. 12m @ 29.2% Fe**
    - **Incl. 8m @ 29.9% Fe**
  - **RC003 38m @ 23.6% Fe from 30m**
    - **Incl. 28m @ 26.4% Fe**
  - **RC005 36m @ 26.6% Fe from 40m**
    - **Incl. 28m @ 29.6%**
    - **Incl. 2m @ 34.8%**
- **Numerous additional targets identified for drilling**

Desert Energy Limited (ASX:DSN) is pleased to announced the assay results for its reconnaissance drill program over the T21 magnetite iron-ore prospect located at the Camel Hills Joint Venture Project, central Western Australia, where it is earning an initial 51% interest (Figure 1).

A total of 9 Reverse Circulation (RC) holes (one hole abandoned and redrilled) were drilled on 5 section lines across the outcropping magnetite-quartzite units. The assay results are shown in Appendix 1. The holes cover a strike length of 3.5km of an airborne magnetic target which outcrops in the northern portion with a total strike length of 6.2km (Figure 2).

Broad magnetite intervals were recorded in the drilling which coincided with the two roughly north-east trending magnetic units identified from surface mapping and interpretation of airborne magnetic data.

Davis Tube testwork ("DTR") will be conducted on selected samples 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.

Commenting on the drilling program Executive Director Martin Pyle noted: *"This is a promising start for our magnetite iron exploration campaign. The results confirm good thicknesses and grade within open pitable depths. T21 is the first of numerous targets identified from airborne magnetics and surface reconnaissance mapping which we are encouraged to pursue on the back of this successful first drilling campaign at Camel Hills."*

Commentary

Reverse Circulation drilling, as one or two angled holes on five section lines, has been completed in this initial test phase; a total of nine holes for 1161m drilled (Figure 3). These were designed to test for width, depth extent and grade of magnetite, and to provide larger samples for preliminary metallurgical testwork.

The northern 3km of the anomaly appears as outcropping magnetite-quartzite units while the balance of the airborne magnetic anomaly is considered to represent the extensions of these units beneath sand cover.

Seven of the holes were drilled into outcropping magnetite-quartzite with a strong magnetic signature and two were drilled into the airborne magnetic anomaly which disappears beneath sand cover. All but one of the holes recorded significant magnetite iron assay results suggesting the unit is mineralized over its entire interpreted 6.2km length. (CHT21RC010 is considered to have possibly drilled over the top of the prospective unit)

Previous beneficiation testwork undertaken on rock-chip samples from other magnetite-quartzite prospects in the project area has yielded up to 70.2% 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 -75µm. The concentrates displayed high iron and low combined Si and Al and phosphorus, potentially yielding a premium product.

Given the success of this first reconnaissance drilling program it is the company's intention to follow up with more detailed drilling at T21 and several other magnetite iron targets during 2011.

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.

Martin Pyle
Executive Director
Mob. 0429 999 552

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, please contact Ken Banks.

Figure 1: Location Map – Camel Hills Project

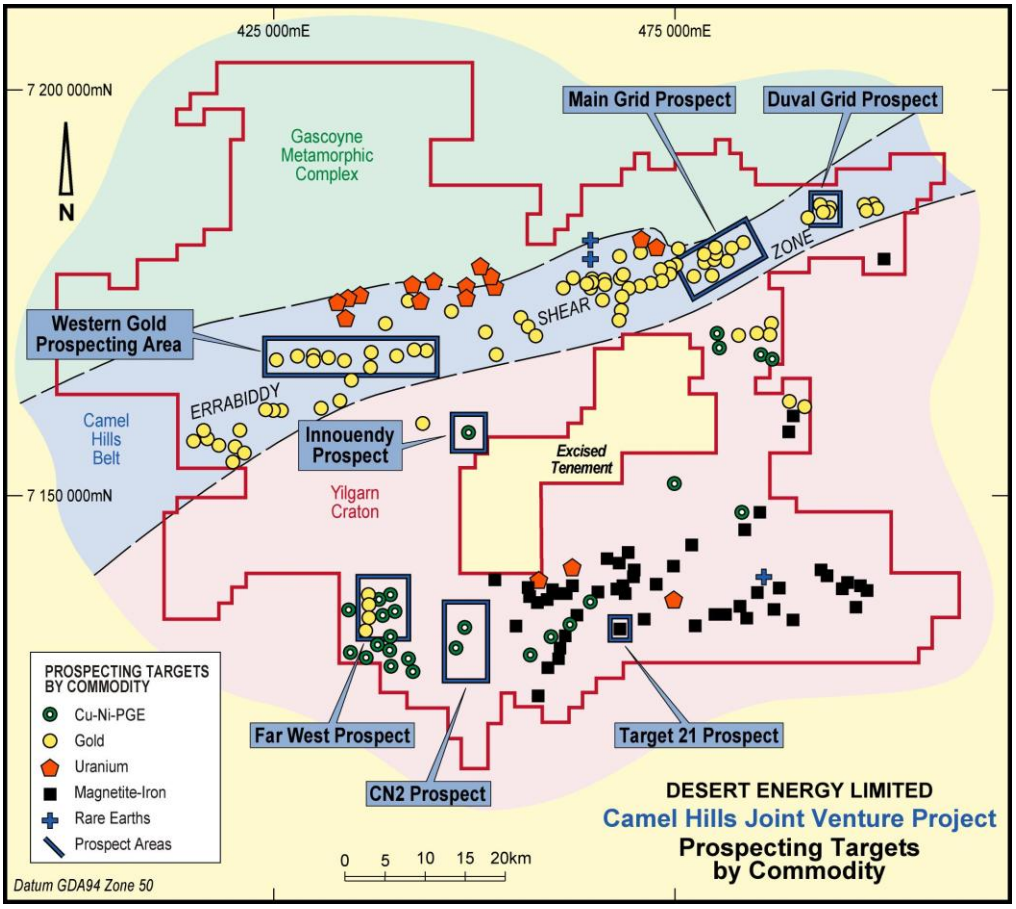


Figure 2: T21 Prospect Location on Magnetic Image showing additional high priority targets

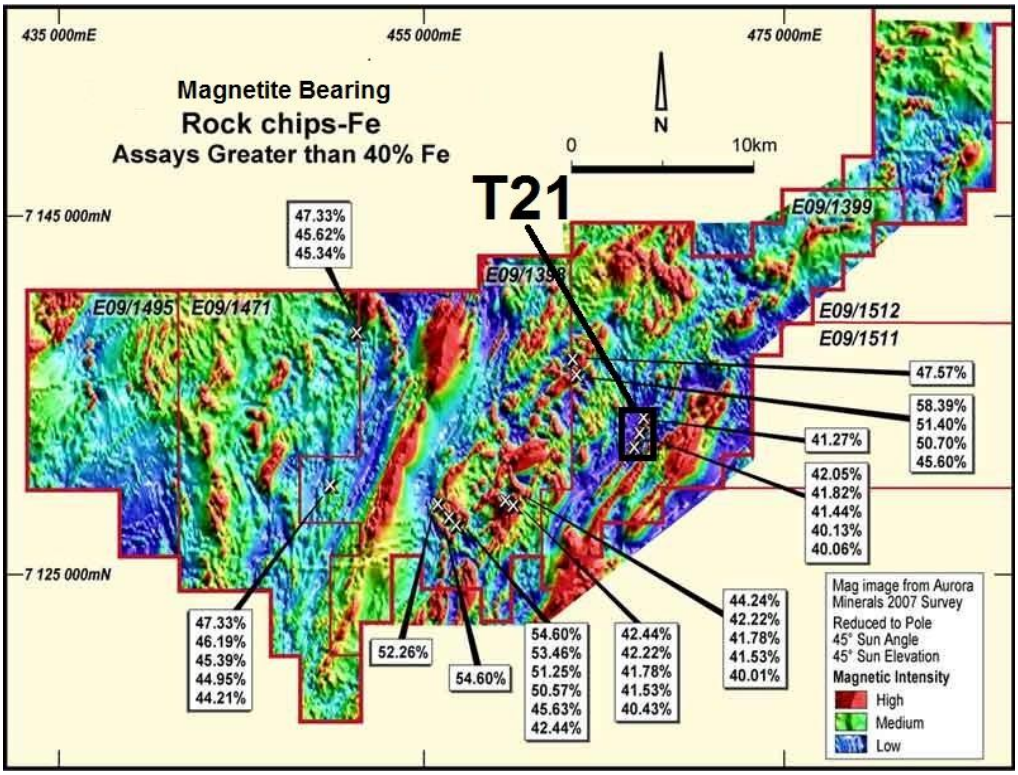
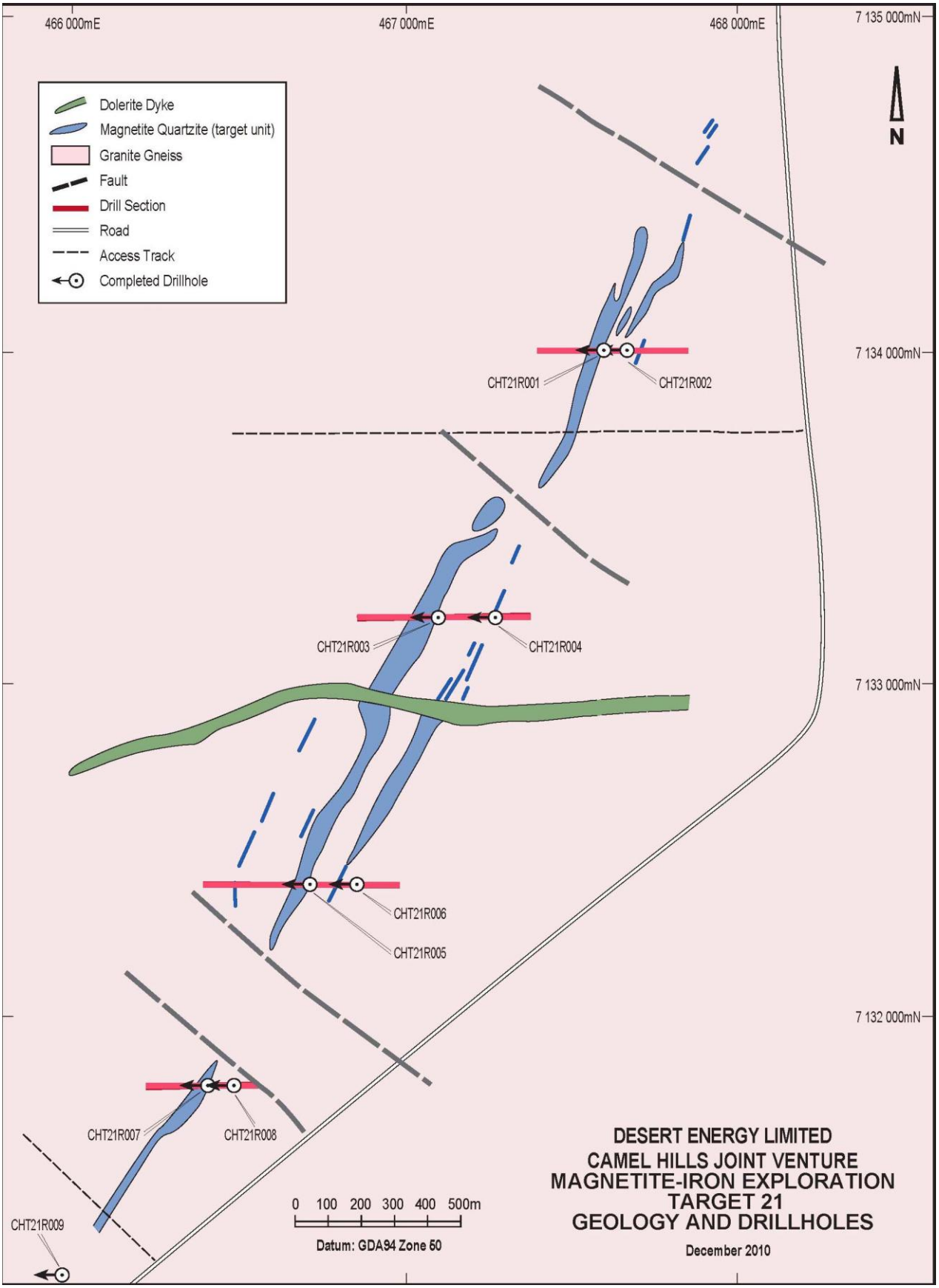


Figure 3: Location Map showing drill hole collars – T21 Magnetite Iron Prospect



Appendix One: Assay Results T21 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 zone 50

All holes drilled 60 to the west

Hole CHT21RC010 is a re-drill of hole 9