



2 August 2010

The Manager
Announcements
Company Announcements Office
ASX Limited
PO Box H224 Australia Square
SYDNEY NSW 2000

Dear Sir/Madam

Extraordinary General Meeting

An Extraordinary General Meeting of Desert Energy Limited will be held at the offices of the company, 271 Great Eastern Highway, Belmont, on Thursday 2 September 2010 commencing at 11.00 am.

The Notice of Meeting and Explanatory Memorandum containing details of the Meeting are attached.

Yours faithfully

Peter Ruttledge
Company Secretary

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Desert Energy Limited will be held at the Company's office at 271 Great Eastern Highway, Belmont on 2 September 2010 commencing at 11.00 am to conduct the following business:

1. Resolution 1 - Issue of Consultant Options to a Related Party

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange and for all other purposes, the Company approve and authorise the grant and issue of 3,000,000 Consultant Options, with a term of 4 years, to subscribe for 3,000,000 ordinary shares in the capital of the Company to Whitby 2009 Pty Ltd, a company owned by Mr Martin James Pyle, a Director of the Company, or its approved Nominee, at a 45% premium above the closing Market Price of the Company's shares on the date on which the Consultant Options are issued, to be issued on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will in accordance with Section 224 of the Corporations Act and the Listing Rules, disregard any votes cast on this resolution 1 by

- Whitby 2009 Pty Ltd;
- Mr Martin Pyle;
- Any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy forms to vote as the proxy decides.

The Explanatory Memorandum that accompanies and forms part of this Notice describes in more detail the matters to be considered.

PROXIES

A form of proxy is enclosed herewith. A member who is entitled to attend and vote at a meeting is entitled to appoint a proxy (and a member who is entitled to cast 2 or more votes may appoint not more than two proxies) to attend and vote at the meeting. A proxy need not be a member of the Company. Where a member appoints two proxies, the proportion of the member's voting rights given in favour of each proxy must be specified. Proxies must be received by the Company not later than 48 hours before the meeting. Proxies may be lodged by fax.

ENTITLEMENT TO VOTE

In accordance with regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding ordinary shares held as at 5.00pm Perth time on 31 August 2010 will be entitled to attend and vote at the Annual General Meeting.

BY ORDER OF THE BOARD

P C RUTTLEDGE
Company Secretary

27 July 2010

Notice of Extraordinary General Meeting
Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders of Desert Energy Limited (“**Desert Energy**” or “**the Company**”) in connection with the business to be conducted at the Extraordinary General Meeting of Shareholders to be held at 271 Great Eastern Highway, Belmont on 2 September 2010 (“the Meeting”).

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Extraordinary General Meeting (“the Notice”).

1. Resolution 1 – Issue of Consultant Options to Mr Martin Pyle, Executive Director

Issue of Consultant Options to a Consulting Company associated with a Director of the Company

1.1 Background

Shareholder approval is being sought in Resolution 1 to grant 3,000,000 Consultant Options to a consulting company which provides high level consulting services to Desert Energy Limited. This consulting company is associated with recently appointed Director of the Company, namely Mr Martin Pyle, which is why shareholder approval is being sought.

The exercise price for the Consultant Options will be the closing market price for the Shares on ITS (excluding special crossings, overnight sales and exchange traded option exercises) on the date of issue of the Consultant Options, plus 45% of that price.

Former Corporate Director of Hartleys Limited, Mr Pyle joined Desert’s Board of Directors on 6 May 2010 as an Executive Director.

Mr Pyle brings to Desert’s Board his very wide ranging experience in the minerals industry as a resource analyst, mining industry consultant and in corporate advisory including 17 years in senior roles in major stockbroking firms Hartleys (Perth) and County Natwest (Sydney).

Martin holds Bachelor of Science (First Class Honours – Geology) and Master of Business Administration degrees.

His executive role will include Corporate Affairs, fundraising and oversight of the day to day business management of the Company.

The grant of these Consultant Options is designed to reward the commitment and performance of the consultant as an inducement to join the Company and in finding and pursuing opportunities on behalf of the Company. With an exercise price of the Consultant Options pitched significantly higher than the Share price at the date that they will be issued, it will thereby provide a material additional incentive for the ongoing involvement of the above consultant to the growth of the Company without drawing excessively on the Company’s cash reserves.

If shareholders vote in favour of the issue of these Consultant Options to the consultant, they will be issued to the individual consultant or its nominee.

The Company proposes to offer, and if accepted, grant and issue a total of:

- 3,000,000 Consultant Options to Whitby 2009 Pty Ltd or its Nominee. Whitby 2009 Pty Ltd (the consulting company of Desert Energy Limited Executive Director, Mr Martin Pyle) has been retained by Desert Energy Limited to provide the Company with corporate, geological and business development services.

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Table 1: Martin Pyle Options

Name of Allottee	Consulting Service	No of Options Tranche 1	Tranche 1 Exercisable from	No of Options Tranche 2	Tranche 2 Exercisable from	No of Options Tranche 3	Tranche 3 Exercisable from
Mr Martin Pyle or approved Nominee	Corporate and Geological	1,000,000	12 mths after date of issue	1,000,000	24 mths after date of issue	1,000,000	36 mths after date of issue
Total		1,000,000		1,000,000		1,000,000	

The terms and conditions attaching to the Consultant Options are set out in Appendix 1.

1.2 Section 208 of the Corporations Act 2001

Section 208 in Chapter 2E of the Corporations Act 2001 prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of section 208, each director of the Company is considered to be a related party of the Company. Similarly each company controlled by a director is considered to be a related party of the Company. Accordingly, the issue of the Consultant Options to Whitby 2009 Pty Ltd, or its respective Nominee pursuant to the proposed Resolution constitutes the provision of a financial benefit to related parties of the Company.

Although the issue of Consultant Options may fall within one of the nominated exceptions referred to in paragraph (a), this is not entirely certain and accordingly, in the interests of certainty, it has been determined to seek shareholder approval to the issue of the Consultant Options to the consulting company or its Nominee.

Consequently, in accordance with section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Consultant Options to related parties.

The related party to whom the proposed resolutions would permit the financial benefit to be given:

Whitby 2009 Pty Ltd (or its Nominee) is the related party to whom a financial benefit would be given.

The nature of the potential financial benefit

The proposed financial benefit to be given to Whitby 2009 Pty Ltd or its Nominee is the grant and issue of 3,000,000 Consultant Options for nil consideration on the terms and conditions set out in Appendix 1 to this Explanatory Memorandum.

Directors' recommendation

Mr Martin Pyle has a material personal interest in Resolution 1 and accordingly does not make a recommendation in relation to Resolution 1. The other Directors, who do not have a material personal interest in the outcome of Resolution 1, recommend that Shareholders approve Resolution 1 as they are of the view that the issue of Consultant Options to Whitby 2009 Pty Ltd will assist the Company in retaining the services of Whitby 2009 Pty Ltd and therefore Mr Martin

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Pyle whilst maintaining the Company's cash reserves at a time when there is significant competition for the services of experienced exploration and mining personnel.

The Directors (other than Mr Pyle) considered Mr Pyle's experience, the potential future contributions to the Company and the current market price of the Shares versus the exercise price of the Consultant Options when determining the terms of the Consultant Options and the number of Consultant Options to be issued to Whitby 2009 Pty Ltd.

All Directors were available to consider Resolution 1.

1.3 Other information that is reasonably required by members to make a decision whether it is in the best interests of the Company to pass Resolution 1 that is known to the Company or any of its Directors:

(i) Value attributed to the proposed issue of Consultant Options

The Company has valued the Consultant Options using the Binomial Option Pricing Model ("**Binomial Model**") which is one of the most widely used and recognised models for pricing options.

The Binomial Model calculates the expected benefit from acquiring the Shares outright less the present value of paying the exercise price for the Consultant Options on date of expiration. This model is considered robust and sufficiently accurate as an option pricing tool where options are not expected to be exercised until the end of the option's life. The model uses historical share price volatility measures and therefore may not approximate actual share price behaviours in the future.

The following table incorporates the assumptions used in determining values for each the Consultant Options, and the results of the valuation methodology employed.

Table 2: Valuation Methodology

Assumption	Note	Whitby 2009 Pty Ltd
Underlying Share spot price	1	12.5 cents
Exercise Price	2	18.125 cents
Dividend rate	3	Nil
Standard deviation of returns (annualised)	4	98%
Risk free interest rate	5	5.40%
Valuation date	6	13 July 2010
Expiry date	6	13 July 2014
Exercise period (months)	7	From the date of issue to 48 months from the date of issue
Binomial Valuation (per Option)	8	\$0.065 (discounted by 20%)

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- Note 1 The underlying share spot price used for the purposes of this valuation is based on the price of the Shares on the ASX at 13 July 2010.
- Note 2 The exercise price for the Consultant Options will be the closing market price for the Shares on ITS (excluding special crossings, overnight sales and exchange traded option exercises) on the date of issue of the Consultant Options plus 45% of that price.
- Note 3 As at the date of this report the Company has not forecast any future dividend payments. For the purposes of the valuation it has therefore assumed been assumed that the Company's Share price is "ex-dividend". If dividend payments were forecast, the value of the Consultant Options would be reduced.
- Note 4 The anticipated standard deviation over the life of the Consultant Options is based on the Company's historical data.
- Note 5 The risk free rate is the Commonwealth Government Bond rate with a maturity date approximately that of the expiration period of the Consultant Options.
- Note 6 The valuation date for the purposes of this report is the last traded date prior to the date of this valuation.
- Note 7 The expiration period is the difference between the issue date and expiration date in years.
- Note 8 The Company's advisers consider that a nominal 20% discount should be applied to all of the Options, reflecting the unlisted status of the Options.

Based on the valuation methodologies adopted and the assumptions made, the Company values the Consultant Options, after considering the values calculated using the Binomial method, to equal 6.5 cents each, after applying a 20% discount.

The valuation assumes that all Consultant Options have vested to the option holder and that there are no performance hurdles that must be achieved that would otherwise potentially dilute the value of the Consultant Options to the holder on the assumption that they may not vest.

(ii) Sensitivity Analysis

The calculation of the value of the Consultant Options has been subjected to a sensitivity analysis using the Binomial Model to examine the effect of varying the principal assumptions used in the valuation. The results of this analysis are as follows:

Table 3: Sensitivity Analysis

Variable – Standard deviation of returns (annualised)		Value per Option (Binomial after 20% discount)
+25%	122.5%	0.076
Listed standard deviation	98%	0.065
-25%	73.5%	0.050

The table above shows that Standard Deviation does not have a significant influence on the value of the Consultant Options.

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(iii) Total Consultancy Fee Package

Mr Pyle's consulting company, Whitby 2009 Pty Ltd, is retained under contract to provide services to Desert Energy Limited. Its consultancy fee for the year ending 30 June 2010 and the total financial benefit to be received by it in that period as a result of the issue of Consultant Options the subject of Resolution 1 is set out below:

Table 4: Total Consultancy Fee Package

Director	Consulting Company	Consultancy Fees	Value of Options	Total Financial Benefit
Mr Martin Pyle (Executive Director)	Whitby 2009 Pty Ltd	125,000	195,000	320,000

Note 1: Based upon a value of \$0.065 per Option.

Mr Martin Pyle and his consulting company do not receive any other financial benefits from Desert Energy Limited, other than reimbursement for expenses incurred by them in the performance of their duties.

(iv) Relevant Interests

The relevant interests of Mr Martin Pyle in Shares and Options at the date of this Notice are as follows:

Table 5: Relevant Interests

Direct Holdings and those of Associates	Shares	Listed options	Unlisted options
Martin Pyle	Nil	Nil	Nil

(v) Impact on existing Shareholders

If any of the 3,000,000 Consultant Options granted as proposed are exercised in full, the effect would be to dilute the shareholding of existing Shareholders.

The Company has the following Shares and Options on issue at the date of this Notice:

Shares 99,760,643

Options- Unlisted 58,697,500

Assuming all of the proposed 3,000,000 Consultant Options to be issued to the Consulting Company or its Nominee are exercised, and the existing 58,697,500 Options on issue are exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 1.89%.

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The market price of the Shares during the term of the Options will normally determine whether or not the option holders will exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Shares may be trading on ASX at a price which is higher than the exercise price of the Options.

(vi) Share prices over the past 12 months

In the 12 months ending on 13 July 2010 the highest price of shares in the Company trading on the ASX was 25 cents, which occurred on 11 February 2010, and the lowest price was 9 cents on 31 December 2009.

The closing price of the Company's shares on 13 July 2010 was 12.5 cents. The share price during this period has traded at various levels.

(vii) Impact of International Financial Reporting Standards

The Company's adoption of Australian equivalents to International Financial Reporting Standards means that, under AASB2 Share-based Payment, equity-based compensation is recognised as an expense in respect of the services received.

Except as stated in this Explanatory Memorandum the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by granting the Consultant Options pursuant to Resolution 1.

The Directors (other than in respect of the Resolution that they receive a benefit, in which case they decline to comment) do not consider there are any significant costs or detriments including opportunity costs or taxation consequences to the Company or benefits foregone by the Company in issuing the Consultant Options to the Consulting Company or its Nominees upon the terms proposed except as otherwise disclosed in this Explanatory Statement.

Neither the Company nor the Directors are aware of any undisclosed information that would be reasonably required by shareholders to make a decision in relation to the potential financial benefits contemplated by the proposed Resolution 1.

1.4 ASX Listing Rule 10.11

ASX Listing Rule 10.11 prohibits a listed company from issuing securities to a person who is a director of the Company without the approval of shareholders.

The following additional information is provided to Shareholders in accordance with ASX Listing Rule 10.13:

- (a) the Consultant Options will be issued to Whitby 2009 Pty Ltd or its Nominee;
- (b) the maximum number of Consultant Options to be issued is 3,000,000 (being 3,000,000 to Whitby 2009 Pty Ltd or its Nominee);
- (c) the Consultant Options will be issued and allotted on a date which will be no later than one month after the date of the Meeting;
- (d) the Consultant Options will be issued for nil consideration;

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- (e) the exercise price for the Consultant Options will be the closing market price for the Shares on ITS (excluding special crossings, overnight sales and exchange traded option exercises) on the date of issue of the Consultant Options plus 45% of that price;
- (f) no funds will be raised by the issue of the Consultant Options although funds will be raised if the Consultant Options or any of them are exercised. The amount which will be raised on exercise will depend on the number of Consultant Options exercised and their exercise prices (which exercise price will vary depending on the market price on the date of issue); and
- (g) the terms and conditions of the Consultant Options are set out in the Appendix to this Explanatory Memorandum.

As approval of Shareholders is being sought pursuant to ASX Listing Rule 10.11 under resolution 1 to the issue of up to 3 million Consultant Options, under ASX Listing Rule 7.2 (Exception 14), Shareholder approval under ASX Listing 7.1 is not required for the issue of those Consultant Options.

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Glossary

“**A\$**” means the lawful currency of Australia.

“**ASIC**” means Australian Securities and Investments Commission.

“**ASX**” means ASX Limited (ABN 98 008 624 691) and where the context permits, the Australian Securities Exchange operated by ASX Limited.

“**Board**” means the board of Directors of Desert Energy Limited.

“**Business Day**” means Monday to Friday inclusive, except New Year’s Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that the ASX declares is not a business day.

“**Company**” means Desert Energy Limited ACN 123 102 974.

“**Consultant Options**” or “**Options**” means the three million Options proposed to be issued to Whitby 2009 Pty Ltd or its approved Nominee under Resolution 1.

“**Corporations Act**” means the *Corporations Act 2001* (Cth).

“**Desert**” or “**Desert Energy**” means Desert Energy Limited ABN 46 106 304 787.

“**Directors**” means the directors of Desert Energy Limited.

“**Director’s Entities**” means in relation to Martin Pyle, Whitby 2009 Pty Ltd;

“**Explanatory Memorandum**” means the explanatory memorandum to this Notice of General Meeting.

“**ITS**” means the trading system known as Integrated Trading System, being a computer system and associated network operated by ASX for the trading of financial products.

“**Listing Rules**” means the listing rules of ASX.

“**Market Price**” means the closing price on ITS, excluding special crossings, overnight sales and exchange traded option exercises.

“**Notice of General Meeting**” means this Notice of General Meeting and includes the Explanatory Statement and Proxy Form.

“**Resolution**” means a resolution contained in this Notice of General Meeting.

“**Share**” means a fully paid ordinary share in the capital of the Company.

“**Shareholder**” means a shareholder of the Company.

“**WST**” means Australian Western Standard Time.

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APPENDIX 1

Consultant Options to be issued under Resolution 1

Terms and Conditions of Consultant Options to be issued by Desert Energy Limited under Resolution 1

The Consultant Options will entitle the optionholders to subscribe for Shares in the Company on the following terms:

(a) Issue price

Each Consultant Option is issued for nil consideration.

(b) Exercise price

Each Consultant Option shall entitle the optionholder to acquire one fully paid ordinary share in the capital of the Company upon exercise and payment of an exercise price equal to the closing market price for a Share at the issue date of the Consultant Option plus 45 % of that market price (“the Exercise Price”).

(c) Expiry date

Consultant Options will expire on the Expiry Date for that class of Options. The Expiry Date is 48 months after the date of issue unless expiry occurs earlier under these terms and conditions.

(d) Certificate

A certificate will be issued for the Consultant Options and sent to the optionholder together with the terms and conditions of the Consultant Options and a written notice that is to be completed when exercising Consultant Options.

(e) Consultant Options not listed

The Consultant Options will not be listed for official quotation on the ASX.

(f) Consultant Options not transferable

Subject to the Listing Rules of the ASX, the Consultant Options can be transferred to a Nominee of the optionholders (as defined in Section (o) Interpretation), but otherwise are not transferable, without the prior written approval of the Directors.

(g) Exercise

Subject to m) to n) below, the Consultant Options may be exercised by notice in writing to the Company (“the Exercise Notice”), delivery of the Consultant Option certificates and payment of the Exercise Price to the Company at any time between the First Exercise Date for such Options and the Expiry Date (“the Exercise Period”). The Consultant Options may be exercised in one or more lots on different occasions during the Exercise Period, provided that such lots are equal to or a multiple of 100,000 Options. Within 5 business days of receipt of the “Exercise Notice” and Consultant Option certificates and payment of the “Exercise Price”, the Company will allot the corresponding number of fully paid ordinary shares to the optionholder, procure the issue a statement of holding for the shares and apply for the shares to be listed on the stock exchanges on which the Company is listed. The shares issued as a result of exercise of the Consultant Options shall rank equally in all respects with the other issued fully paid shares in the Company.

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(h) New share issue

If the Consultant Options are exercised before the record date of an entitlement, the optionholder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the optionholder of the proposed issue at least 9 business days before the record date. Optionholders do not have a right to participate in new share issues without exercising their Consultant Options in accordance with Listing Rule 6.19.

(i) Bonus Issue

If, from time to time, before the expiry of the Options the Company makes a pro rata issue of Shares to Shareholders for no consideration, the number of Shares over which the Options are exercisable will be increased by the number of Shares which the optionholder would have received if the Option had been exercised before the record date for calculating entitlements to the pro rata issue.

(j) Reorganisations

In the event of any reorganization of the issued capital of the Company, the Consultant Options will be reorganized by the Company in accordance with the Listing Rules (including without limitation by changing the number or exercise price for the Consultant Options in such manner as may be required by the Listing Rules.)

(k) Change of Consultant Option's exercise price or the number of underlying securities

(i) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Consultant Options may be reduced according to the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

O' = the new exercise price of the Consultant Option;

O = the old exercise price of the Consultant Option;

E = the number of underlying securities in the Company into which one option is exercisable;

P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date;

S = the Subscription price for a security under the pro rata issue;

D = the Dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);

N = the Number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

(ii) The number of shares to be issued pursuant to the exercise of Consultant Options will be adjusted for bonus issues made prior to exercise of Consultant Options. The effect will be that upon exercise of the Consultant Options the number of shares received by the optionholder will include the number of bonus shares that would have been issued if the Consultant Options had been exercised prior to the record date for bonus issues. The exercise price of the Consultant Options shall not change as result of any such bonus issue.

(l) Dividends

The Consultant Options carry no entitlement to participate in dividends until shares are allotted pursuant to the exercise of the Consultant Options.

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(m) **Cessation of engagement of the Consultant or death of the optionholder.**

(i) In the event of the death of Mr Pyle then all of the Options shall remain in full force and effect for the full term up until the Expiry Date and may be exercised at any time up to the Expiry Date by the holder or a deceased optionholder's legal personal representative.

(ii) in the event that Whitby or Mr Pyle ceases to provide services to the Company or any of its subsidiaries as a consultant, then from the date of such cessation of services one half of the Options which can be validly be exercised at such date shall remain in full force and effect for the full term up until the Expiry Date and the other half of the Options may only be exercised by the optionholder within 3 months of the effective date on which Whitby or Mr Pyle ceases to provide services to the Company, and immediately following that 3 months shall forthwith lapse and have no further effect unless otherwise determined by the board of directors of the Company.

(iii) In the event that Whitby's or Mr Pyle's services as a consultant to the Company or any of its subsidiaries are terminated by the Company following the takeover of the Company or following a Change in Control, all the Options shall remain in full force and effect for the full term up until the Expiry Date.

(n) **Directorships**

For the avoidance of doubt it is recorded that the Options will not be affected in the event that in the future if Mr Pyle ceases to be a director of the Company.

(o) **Interpretation**

In these terms and conditions the following terms will bear the following means unless the context otherwise requires:

"Consultant Options" or "Options" means 3,000,000 Consultant Options issued to Whitby or its Nominee;

"Change in Control" means a change in the composition of the shareholders of the Company whereby a person who does not presently control the Company within the meaning of section 50AA of the Corporations Act gains such control over the Company;

"First Exercise Date" means:

for the first tranche of 1,000,000 Options, 12 months after the date of issue;

for the second tranche of 1,000,000 Options, 24 months after the date of issue;

and

for the third tranche of 1,000,000 Options, 36 months after the date of issue.

"Listing Rules" means the listing rules as amended from time to time of the ASX;

"Nominee" means:

- (a) the Relevant Person;
- (b) a spouse or de facto spouse of the Relevant Person;
- (c) a child, sibling or parent of the Relevant Person;
- (d) a family trust associated with the Relevant Person;
- (e) a superannuation fund in which the Relevant Person or any of the persons referred to above is a member;
- (f) any other nominee approved by the Company

"Relevant Person" means Mr Martin Pyle

"Whitby" means Whitby 2009 Pty Ltd.

DESERT ENERGY LIMITED
ACN 123 102 974

DESERT ENERGY LIMITED
ABN 46 106 304 787

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Email: info@desertenergy.com.au
Website: www.desertenergy.com.au

Proxy Form

I/we.....(full name, block letters)

of.....
being a member of **Desert Energy Limited** hereby appoint

.....

of.....
or, failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the company to be held at 11.00 am on 2 September 2010 and at any adjournment thereof.

I/we direct my/our proxy how to vote in the following manner:

ORDINARY BUSINESS

FOR AGAINST ABSTAIN

Resolution 1: To approve issue of Consultant Options to Mr Martin Pyle or his permitted nominee

If no directions are given my/our proxy may vote as the proxy thinks fit or abstain.
If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of the resolution, please place a mark in the box

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution(s) and your votes will not be counted in calculating the required majority if a poll is called on the resolution(s).

Where the Chairman is appointed as proxy, the Chairman's voting intention in relation to undirected proxies in respect of these resolutions is to vote **FOR** the resolutions.

*This Proxy is appointed to represent _____% of my voting right, or if 2 proxies are appointed
Proxy 1 represents _____% and Proxy 2 represents _____% of my total votes
My total voting right is _____ shares*

If the shareholder(s) is an individual(s), every shareholder is to sign:

If the shareholder is a company, sign in accordance with Section 127(1) of Corporations Act or affix common seal (if required by Constitution).

Signed: _____

Director or Sole Director and Secretary

Signed: _____

Director/Secretary

Dated: _____ 2010

Dated: _____ 2010

This form is to be used in accordance with the directions overleaf.

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ACN 123 102 974

Instructions for completing and lodging this Proxy Form

1. A shareholder who is entitled to attend and vote at a meeting is entitled to appoint a proxy (and a shareholder who is entitled to cast two or more votes may appoint not more than two proxies) to attend and vote at the meeting.
2. Where two proxies are appointed each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. Where two proxies for a shareholder are present at the meeting, neither proxy shall be entitled to vote on a show of hands, and on a poll the appointment shall be of no effect, unless each proxy is appointed to represent a specified proportion of the shareholder's voting rights, not exceeding 100% in aggregate.
3. A proxy need not himself be a shareholder of the Company.
4. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or in accordance with section 127 of the Corporations Act or by its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
5. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the company, must accompany the proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is Chairman, the proxy must vote on a poll and must vote that way, and
 - (d) if the proxy is not the Chairman, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in anyway that the proxy sees fit.

7. The Proxy Form (and any power of attorney or other authority pursuant to which the Proxy Form has been signed) must:
either be deposited at the registered office of the Company, 271 Great Eastern Highway, Belmont, WA 6104
or be sent by post to Desert Energy Limited, PO Box 707, Belmont WA 6984,
or be sent by facsimile to Desert Energy Limited at (08) 6162 9079
so as to be received not later than 48 hours before the time fixed for the holding of the meeting
- that is to be received by 11.00 am Western Standard Time on 31 August 2010.

Change of Address

Should your address have changed please use this section to advise the Company and, if faxing your proxy form, please fax this side of the proxy form as well.

My new address is:

My email address is: _____

My phone number is: _____