

ABN: 56 123 102 974

QUARTERLY ACTIVITIES REPORT ENDING 30 JUNE 2010

ASX RELEASE

29 July 2010

**Large Diversified
Exploration Portfolio In
Western Australia**

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

- Camel Hills Joint Venture approved by shareholders.
- Reconnaissance exploration commenced

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. Desert geologists consider it has exploration potential for magnetite iron ore, gold, copper-nickel-PGE and uranium mineralisation.

The joint venture with Aurora Minerals Limited was approved by shareholders on 15 June 2010.

During the quarter reconnaissance sampling was undertaken within the tenement package and samples collected for assaying and petrographic appraisal.

Reconnaissance sampling, mapping and prospecting on the Camel Hills tenements is continuing with the aim of generating early drill targets.

Corporate

- Martin Pyle appointed as new Executive Director
- Desert cash position ~\$3 million
- Subsequent to the quarter end Mr Garry O'Hara announced his resignation from the Board.

Camel Hills Joint Venture Approved by Shareholders

Details of discussions between Aurora and Desert Energy Limited (Desert) for a new proposed joint venture on Aurora's 100% owned Camel Hills Project were announced on 4 February 2010. Background on the transaction is also discussed in the Notice of Meeting dated 11 May 2010.

Shareholder approval for the joint venture was granted on 15 June 2010. Ministerial approval for the tenement transfers (where required) was also granted during the quarter.

Under the proposed joint venture Desert can earn a 51% interest by sole funding the first \$3.8 million of exploration expenditure within a maximum of 4 years.

Following the earning of a 51% interest Desert would have the choice of continuing to sole fund the joint venture to earn a total of a 70% interest by producing a BFS for a development at Camel Hills having at least a net present value of \$50 million, within 7 years of the commencement of the joint venture. Aurora would then have a 30% interest on the terms previously announced.

Alternatively if Desert elects to remain on 51% then Aurora would have a 49% interest and both parties would have the right to contribute to ongoing JV funding at those levels or to dilute.

Prospecting on the Camel Hills tenements is continuing with the aim of generating early drill targets.

Some of the key features of the Camel Hills Project include:

- Aurora recently discovered high-grade Magnetite over an extensive area of banded iron formation ridges in the south of the Project with initial beneficiation testwork yielding up to 70.2% Fe.
- The testwork on four samples demonstrated that the magnetite is quite crystalline and would produce a high quality concentrate if crushed to -75µm. All concentrates have high iron and low combined Si and Al, making them amenable to carbon cleaning uses which demands a premium price.
- Detailed airborne magnetic and radiometric survey flown for Aurora.
- The Project also hosts widespread anomalous values in gold, copper-nickel-PGE, uranium and rare earths, and is considered highly prospective for 'Tropicana' style gold mineralization, Jinchuan nickel-PGE, and unconformity uranium deposits.

Calcrete-Uranium Projects, Northeastern Yilgarn Region, WA

Drilling of calcrete uranium targets planned for the quarter was delayed due to appropriate drill rig availability. The planned programs for Belview, Tate and Downs East Extended will be re-assessed in the light of the grant of approval for the Camel Hills joint venture which will be the main focus of Desert's exploration campaign in the next quarter.

CORPORATE

In May 2010 the Company announced the appointment of Martin Pyle as an Executive Director. Martin has very wide ranging experience in the resource sector as a geologist, resource analyst, mining industry consultant and in corporate advisory including 17 years in senior roles in major stockbroking firms.

Subsequent to the end of the quarter, Garry O'Hara announced his resignation from the board. Desert acknowledges the substantial contribution Garry has made to the company since its inception in 2007.

As of 30 June 2010, Desert Energy had approximately \$3 million in cash.

Martin Pyle
Executive Director

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 and Mr. John Jordan, a corporate member of the Australasian Institute of Mining and Metallurgy. Executive Director of Aurora Minerals Limited and Desert Energy Limited, Robert Taylor, and John Jordan, consultant, consult to the Companies through their respective consulting companies Able Kids Pty Ltd and Churchlands Consulting Pty Ltd.

Robert Taylor and John Jordan 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'. Robert Taylor and John Jordan consent 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 website at www.asx.com.au

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

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 June 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12... 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	(243)	(2,276)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	53	206
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	(375)	(2,680)
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)	(376)	(2,681)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(376)	(2,681)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	6	1,706
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)	(2)	(110)
	Net financing cash flows	4	1,596
	Net increase (decrease) in cash held	(372)	(1,085)
1.20	Cash at beginning of quarter/year to date	3,389	4,102
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,017	3,017

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	65
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.19 Costs associated with issue of new shares

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

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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

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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	400
4.2	Development	-
4.3	Production	-
4.4	Administration	200
Total		600

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	252	74
5.2 Deposits at call	2,765	3,315
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,017	3,389

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	E08/1674	Holder	100%	0%
	E09/1334	Holder	100%	0%
	E09/1352	Holder	100%	0%
	E53/1345	Holder	100%	0%
	E57/713	Holder	100%	0%
	E57/714	Holder	100%	0%
	E57/715	Holder	100%	0%
	E57/717	Holder	100%	0%
	E57/724	Holder	100%	0%
	E57/726	Holder	100%	0%
	E57/727	Holder	100%	0%
	E57/731	Holder	100%	0%
	E57/732	Holder	100%	0%
	E57/733	Holder	100%	0%
	E57/734	Holder	100%	0%
	6.2 Interests in mining tenements acquired or increased	E51/1171	Holder	100%
E51/1172		Holder	100%	0%

+ 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	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				
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
7.8 Issued during quarter	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
7.9 Exercised during quarter	25,222	25,222	25.0 cents	30/04/2017

+ See chapter 19 for defined terms.

7.10	Expired/cancelled during quarter	20,541,478 325,000	20,541,478 -	25.0 cents 34.017 cents	30/04/2010 30/11/2010
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: 29 July 2010

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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