



12 July 2010

Mr Wade Baggott  
Senior Adviser, Issuers (Perth)  
Australian Securities Exchange  
2 The Esplanade  
PERTH WA 6000

Dear Wade

We refer to your letter dated 9 July 2010 regarding the Appendices 3Y - Directors' Interest Notices lodged by the Company on 9 July.

We set out below the Company's response to the questions you have raised in your letter:

**1 Please explain why the Appendices were lodged late.**

The change to which the Notices relate occurred on 17 June 2010 and arose from the issue by the Company of new unlisted director options following shareholder approval at the Extraordinary General Meeting held on 15 June 2010.

The Directors who received the options did not specifically notify the Company of the change in their security holdings as the Company was already in possession of the information, having initiated each issue of options, and the Directors relied on the Company to inform the market.

Unfortunately the Company did not include the issue of Appendices 3Y in its procedures for the new issue and the omission was discovered only on 9 July whereupon the Appendices 3Y were lodged immediately.

**2 What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A?**

The Directors of the Company are required to notify the Company immediately any changes occur in their security holdings in the Company to ensure the Company can meet its disclosure obligations in terms of listing rule 3.19A.

**3 If the current arrangements are inadequate or not being enforced, what additional steps does the Company intend to take to ensure compliance with listing rule 3.19B?**

The current arrangements for Directors to notify changes in their security holdings where they initiate the changes are being enforced satisfactorily.

However to ensure that the Company automatically addresses the need for Appendix 3Ys to be issued when it initiates a new issue of options to Directors, a check list of procedures for new issues of options to staff will include this additional step.

Yours sincerely

Peter Rutledge  
Company Secretary  
Desert Energy Limited