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ASX RELEASE

28 October 2010

**Large Diversified
Exploration Portfolio In
Western Australia**

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QUARTERLY ACTIVITIES REPORT ENDING 30 SEPTEMBER 2010

- Mapping and sampling on magnetite-quartzite horizons has delineated potential drill target at T21.
- Discovery of second ultramafic complex with Copper-Nickel anomalism determined from reconnaissance prospecting & rock chip sampling.
- Identification of two sub-parallel shear zones prospective for gold mineralization.

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. The Camel Hills Project covers part of the northwestern margin of the Archaean Yilgarn Craton and adjacent Proterozoic-aged Errabiddy Shear Zone. Desert is earning into an initial 51% interest in the project from Aurora Minerals Limited

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

Detailed mapping, soil sampling and target appraisal activities were undertaken during the quarter. Prospecting and sampling of the numerous magnetite-quartzite horizons in the southern part of the Camel Hills project is almost complete. Target 21 covering a 5km strike has been selected as the first target for drilling (Figures 1&2).

Subsequent to quarter end regulatory approvals and heritage survey consents have been lodged to expedite testing of drill Target 21.

In the northern part of the large project area, prospecting continues to define gold-anomalous zones for drill testing in the Errabiddy Shear Zone where previous explorers had identified gold-in-stream anomalies intermittently over an 80km strike with only limited follow-up.

MAGNETITE IRON ORE

Prospecting and sampling of the numerous magnetite-quartzite horizons in the southern part of the Camel Hills project is almost complete. This program was designed to determine the extent and thickness of these horizons with the aim of identifying drill targets. Target 21 (see Figure 1) appears to have size potential, with up to 4 magnetite-quartzite units, each up to 45m thick and separated by magnetite-bearing shales (Figure 2). The outcrop pattern of the units suggests that they are possibly isoclinally folded. Dips are steep easterly to vertical.

Surface rock-chip samples assay in the range of 38% to 42% Fe and the sequence has been traced, in outcrop and with the aid of ground magnetics, for nearly 5km strike. Target 21 is in an area of low relief adjacent to the main regional gravel road.

Target 21 represents an immediate drill target. Plans, drill permit applications and Heritage Clearance Notices have been prepared, and subsequent to the end of the quarter, have been lodged. Several other targets remain under evaluation.

Figure 1: Camel Hills – Prospecting Targets

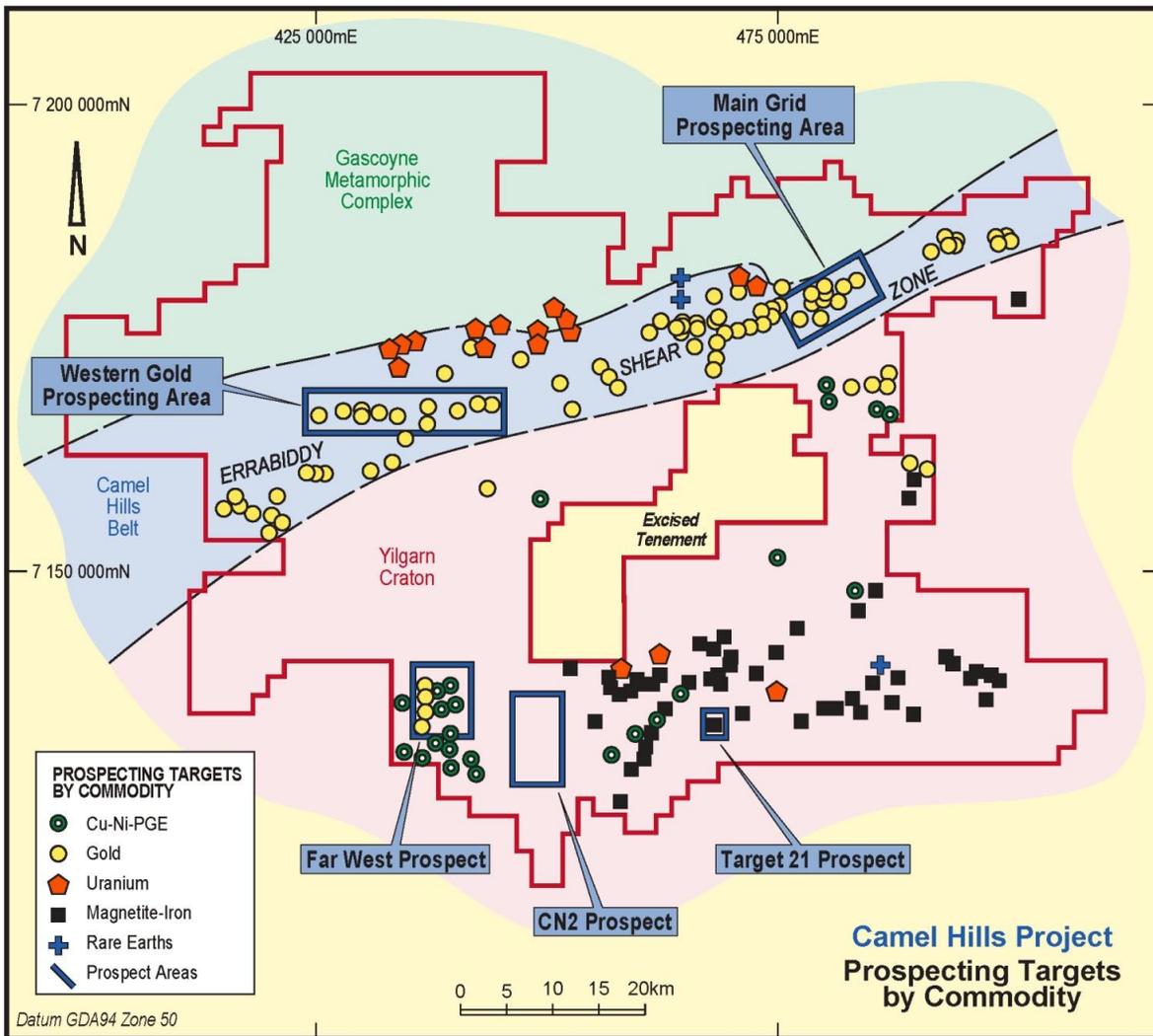
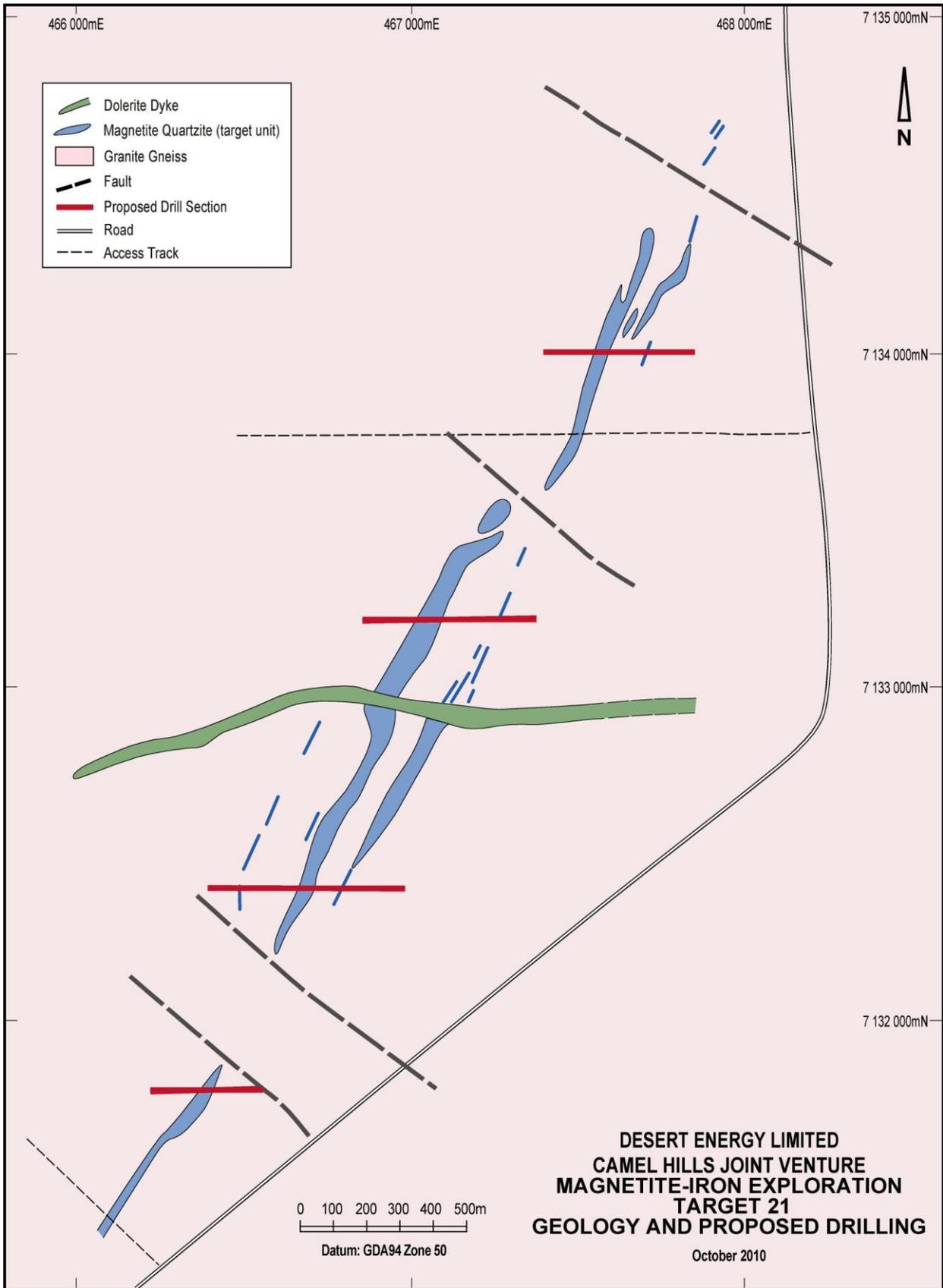


Figure 2: Magnetite Iron – Planned Drill Section Traverses



GOLD TARGETS

In the northern part of the large project area, prospecting continues to define gold-anomalous zones for drill testing in the Errabiddy Shear Zone where previous explorers had identified gold-in-stream anomalies intermittently over an 80km strike with only limited follow-up.

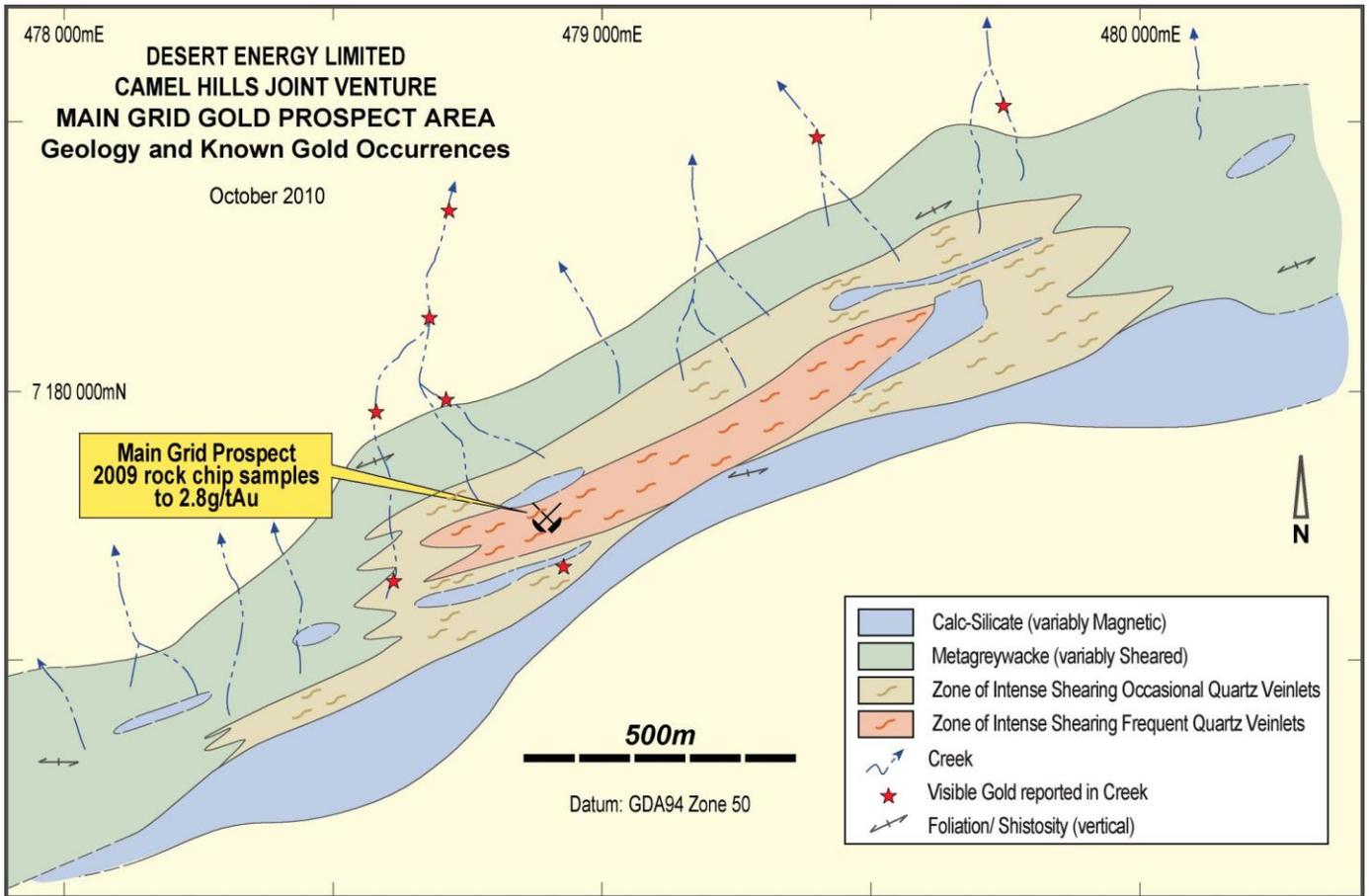
The northern part of the Camel Hills Project covers over 80km strike of the Errabiddy Shear Zone, a major ENE trending shear zone and gneiss belt which marks the collision zone between the Yilgarn Craton in the south and the Gascoyne Metamorphic Complex to the north. Previous explorers had identified discrete gold anomalies in streams throughout the project area with only limited follow-up.

Desert is expanding its prospecting activities, which up to now have been at the western end of the Shear Zone. Prospecting in the west has identified two discrete high-strain zones and panned concentrate soil sampling on widespaced lines across these has produced gold-anomalies. Follow-up of these and extending the zones eastward is in progress.

In the east, previous localised exploration at the Main Grid prospect, including by Aurora Minerals in 2009, identified a high-strain zone about 300m wide on the northern side of a 9km long magnetic calc-silicate unit. Swarms of thin quartz veinlets appear to be confined to this zone. Rock chip grab samples up to 5.2g/t gold were reported by previous explorers and up to 2.8g/t gold by Aurora Minerals from some of the quartz veinlets. Only a small (<500m of strike) section of the high-strain zone was explored, although gold-in-stream anomalies occur over the entire northern side and also on the southern edge of the calc-silicate unit. As far as is known, none of these other gold anomalies has been followed-up. Figure 3 shows the high-strain zone, contained quartz veinlet swarm and gold-in-creek anomalies at the Main Grid prospect.

Prospecting and sampling continues with a view to identifying drill targets. The target is shear-hosted gold mineralisation in the various high-strain zones around the margins of the larger calc-silicate units, in a geological setting similar to the large Tropicana gold deposit which lies within high-grade metamorphic rocks along the eastern edge of the Yilgarn Craton.

Figure 3: Main Grid Gold Prospect

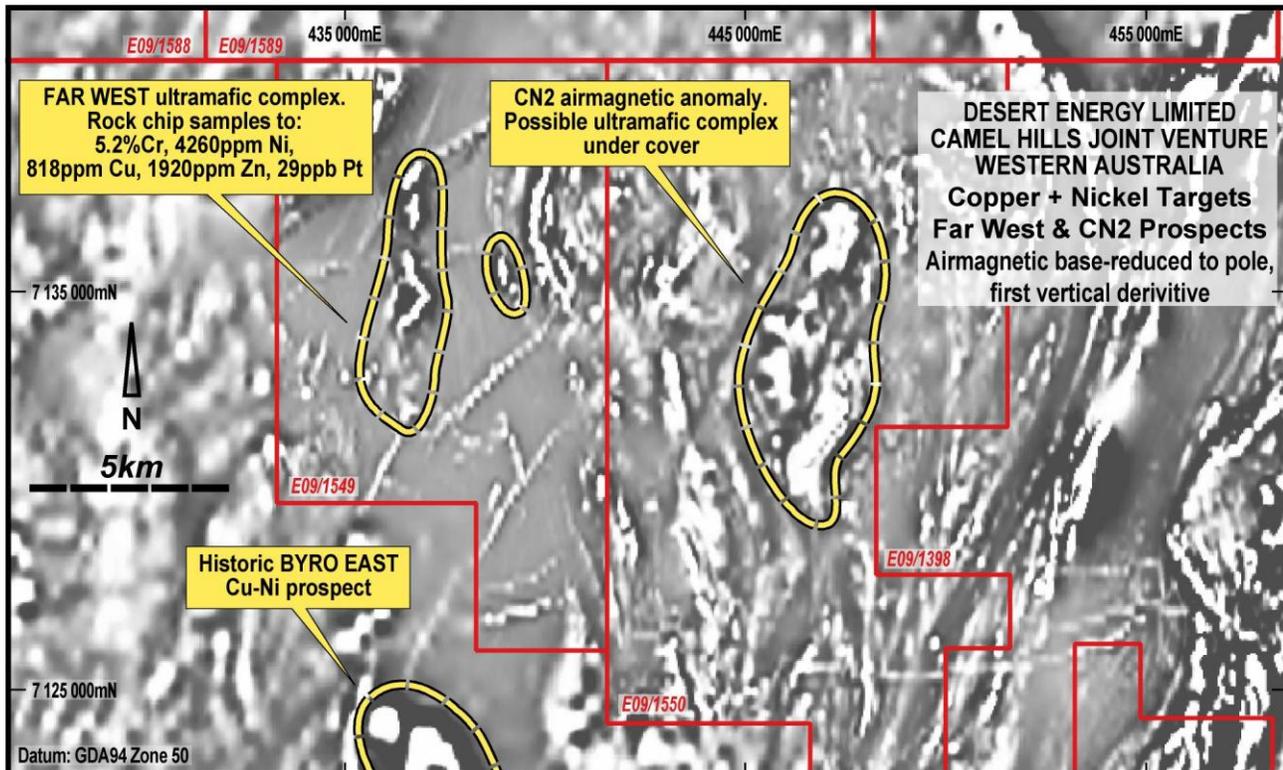


COPPER-NICKEL TARGETS

Soil sampling has now been completed over the Far West prospect in the southern half of the project area, a previously unknown ultramafic complex which crops out intermittently over an area of 9km². Complete soil results are not yet available. Rock-chip samples up to 5.2% Cr, 818ppm Cu and 4260ppm Ni were reported from initial reconnaissance prospecting earlier in the year (Figure 4).

Surface prospecting over another discrete airborne magnetic high, 9km to the east of Far West and now named CN2 prospect, has located surface magnesite and scattered float of opaline silica, both indicating the presence of a second previously unknown ultramafic complex. Grab samples of surface float report high Cr values (indicating an ultramafic rock origin). Soil sampling is being trialed in this sheetwash-covered area.

Figure 4: Copper Nickel Targets Overlain on Air-magnetics



The target at Far East and CN2 is massive copper-nickel sulphides with cobalt and PGE credits, hosted in small, discrete differentiated ultramafic intrusives. Examples elsewhere include Voiseys Bay, Canada, and Jinchuan, China.

The historic Byro East Cu-Ni prospect lies 7km to the south of Far East in a similar ultramafic complex, outside the Camel Hills Project. Reported drill results are 13.7m at 1.2% Ni and 67m at 0.7% Cu + 0.3% Ni from the weathered (saprolite) zone.

BACKGROUND ON THE 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 was discussed in the Notice of Meeting dated 11 May 2010.

CORPORATE

As of 30 September 2010, Desert Energy had approximately \$2.7 million in cash.

During the quarter Mr Garry O'Hara resigned as a director.

Martin Pyle
Executive Director
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 web site.

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