

ASX

RELEASE

31th October 2008

**Large Calcrete Uranium
Exploration Portfolio**

**Yilgarn Craton/ Gascoyne
Western Australia**

**Over 14,000km²
24 projects**

Website

www.desertenergy.com.au

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this release and company
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September 2008

Quarterly Activities Report

During the quarter Desert Energy Limited completed its first two drilling programs

- **Old Station West Project – uranium**
 - First drilling program completed
 - Calcrete up to 24 metres thick associated with major uranium-channel radiometric anomaly
 - Assay results awaited
- **Downs East Project – uranium**
 - First drilling program completed
 - Large volumes of calcrete
 - Uranium anomalies; further drill targets identified
- **Minnie Creek and Limejuice Projects – uranium and base metals**
 - 16,000 soil samples collected and sent for assay
- **Landmark Western Australian Election Result**
 - New pro-mining, pro-uranium State Government elected
- **China Minerals Conference**
 - Desert Energy has display booth at the China Minerals Conference, Beijing, November 2008
- **World Economy – Efficiency Action by Desert Energy**
 - Approximately \$5million in cash
 - Focusing on value adding strategic exploration

Old Station West Project

Uranium

During the Quarter Desert Energy Limited drilled its 100% owned Old Station West Project (Exploration Licence 57/672) targeting uranium mineralisation of the Yeelirrie-style associated with calcrete.

The Old Station West project is located 150km southwest of the Yeelirrie Deposit in the northeast Yilgarn region of Western Australia. Yeelirrie is the world's largest known calcrete uranium deposit.

Calcrete is also closely associated with the uranium mineralisation at the Anketell Uranium Deposit located 26km to the north of Old Station West, the Wondinong uranium deposit located 52km to the NW and at Windimurra some 22km to the west.

Drilling Program Details

Drilling was conducted on lines spaced 1,600m apart with holes spaced between 100m and 200m along each line. In this first program 148 holes were drilled for a total of 2960 metres with an average hole depth of approximately 20 metres.

Preliminary logging of the drill holes has identified wide zones of calcrete between 900m and 2,000m in width over a drilled strike length of 10km. The top of the calcrete is generally buried beneath sand and soil approximately 0.5m to 3m deep.

Further logging by field personnel confirmed two layers of calcrete were found to be present: An upper layer between 0.5m and 6m down hole and a lower, more discontinuous layer, between 12m to 16m down hole. The combined thickness of the two calcrete layers varies between 1m and 24 thick, averaging approximately 6m thick.

All holes ended in channel sediments, except for one drill hole which penetrated through to weathered granite basement at 38 m depth.

The calcrete body remains open to the west and north under sand covered paleo-drainages and more drilling will be required to test how far it extends.

The current drill program tested the eastern 10km strike of the uranium-channel radiometric anomaly, identified in a sensitive airborne survey conducted by the Company earlier this year, and a further 6 to 10km extension remains untested to the west where it is covered by Desert Energy's tenement application E58/368 (see Radiometric image). From the drill hole logs the calcrete appears to continue and thicken markedly to the north of the radiometric anomaly, where it is buried under the sand.

Radiogenic granites are noted to the north and south of the calcrete basin at Old Station West and are potential source rocks for uranium.

Further assessment of the geology is ongoing.

Assay Results

Standard 4 metre composite drill samples were sent to the laboratory in Perth for assaying and results are awaited.

Downs East Project

Uranium

During the September Quarter the Company completed the drilling program at its Downs East project located 65km NW of Yeelirrie.

The drilling identified a large extent of calcrete, mainly hidden under extensive sand cover, over an area of 14km by 1km, and averaging approximately 3m thick. The drilling comprised a total of 324 holes for 4,797 metres with an average hole depth of 14.8 metres. Holes were generally drilled on 400m spaced lines (occasionally 800m), at intervals of 200m along each line (see map) with some infill holes at 100m spacing.

A number of uranium anomalies were intersected in the drilling, extending over several kilometres in the relatively wide spaced drill program.

The attached map shows the maximum downhole 4-6m composite uranium values. The drilling delineated a zone of +20ppm uranium (maximum 60ppm uranium), which may trend to the south towards a wide area of sand cover (see map). Follow up analysis of the data from the current drill program including further interpretation of uranium trends is planned.

The attached maps also show proposed drill targets including large areas of prospective ground to the south, towards the Yeelirrie deposit. Any future drilling may include closer spaced holes in the anomalous areas delineated in this recent program.

Large Tenement Holdings in Yeelirrie Region

In late 2007 Desert Energy submitted tenement applications adjoining Downs East (E51/1172) to cover potential extensions of the current drainage system. Interpretation of satellite images (see attached) indicates that tenement applications ELA53/1370, ELA53/1372 and ELA51/1264 may potentially host further calcrete bodies.

More recently the Company lodged an exploration tenement application ELA53/1404, over an area bordering ELA/1370, which covers further sand covered paleodrainages, interpreted as part of the Yeelirrie drainage system. Desert Energy also extended the holdings at its Charlie project (see map).

The attached map shows all of Desert Energy's tenements and tenement applications, including new applications, within the Yeelirrie region.

The Exploration Model

Desert Energy is targeting calcrete-hosted uranium mineralisation of the Yeelirrie style in paleo-drainage systems.

The identification of extensive calcrete with associated uranium mineralisation at Downs East and Old Station, in an area predominantly covered by soil and sand, gives weight to the Company's exploration model which is to focus on areas hidden under sand and soil in similar interpreted geological settings to that of the large Yeelirrie uranium deposit.

Minnie Creek and Limejuice Projects

Uranium and Base Metals

Desert Energy completed approximately 150 square kilometres of detailed soil sampling at its Minnie Creek and Limejuice projects, located in the highly deformed Proterozoic-aged Gascoyne Complex of central Western Australia (refer Map).

A total of 16,178 soil samples were collected and have been sent to the laboratory in Perth for assay. The region is prospective for both calcrete style uranium deposits and Cloncurry style base metal mineralisation.

The soil sampling is designed to test a significant number of uranium and base metal targets interpreted from a detailed airborne magnetic-radiometric survey flown this year. Results will be used to select potential targets for follow-up.

Landmark Western Australian Election Result for Uranium Mining

Desert Energy Limited was very pleased to welcome the new Government in Western Australia resulting from the recent State election.

The new Government has a pro-exploration and mining policy which should have many benefits for this resource-rich State. Its election platform included the removal of the anti-uranium mining policy put in place eight years ago by the previous government.

World Economy – Efficiency Action by Desert Energy

The worldwide financial crisis has seen the decimation of most Australian and international companies' share prices at a time when Desert Energy commenced activities on its large new portfolio of properties which are highly prospective for a range of commodities important to the developing world including Uranium and Base Metals.

In the past 12 months Desert Energy has ramped up exploration, and has been among the most active junior uranium explorers in Western Australia. This work resulted in many targets for follow up exploration. Further results from the field season are expected in the coming months as they

are received from the laboratory and analysed by our geological team.

Over the coming 12 months the Company intends to adopt a responsible approach to exploration to value-add at its most prospective projects with selective, targeted programs whilst seeking joint venture partners and other investors for heavy expenditure items, and will consider trimming some tenements from its large portfolio.

This approach is designed to increase the Company's opportunity to ride out the international crisis and increase the intrinsic value of its most prospective projects.

The Company is moderately well funded with nearly \$5 million in cash and has been prudently managed. It has minimal debt, and in addition to its exploration projects has a vehicle and equipment fleet all fully paid for. The Directors have long experience in the mining and exploration industry and they have been focused on building the Companies' asset bases.

The Directors have a large stakes in Desert Energy and are considering taking voluntarily hefty cuts to their fees as part of an efficiency drive. A cut of 25% is proposed for Directors. Senior management has also been asked to participate in the efficiency drive.

We, along with all of our fellow shareholders look forward to a gradual recovery in the international financial markets, the stabilization of Australia's premier commodity export position and re-affirmation of its position as a giant global commodity supplier.

China Mining 2008

The Company will have a booth at the November 2008 China Mining Conference which is being held in Beijing, to showcase its extensive project portfolio.

Yours faithfully

Robert Taylor
Executive Director

Garry O'Hara
Executive Director

The information in this report 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. Garry P O'Hara, a corporate member of the Australasian Institute of Mining and Metallurgy.

Robert Taylor and Garry O'Hara are both executive directors of Desert Energy Limited and consult to the Company through their respective consulting companies Able Kids Pty Ltd and Anketell Pty Ltd.

Robert Taylor and Garry O'Hara 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

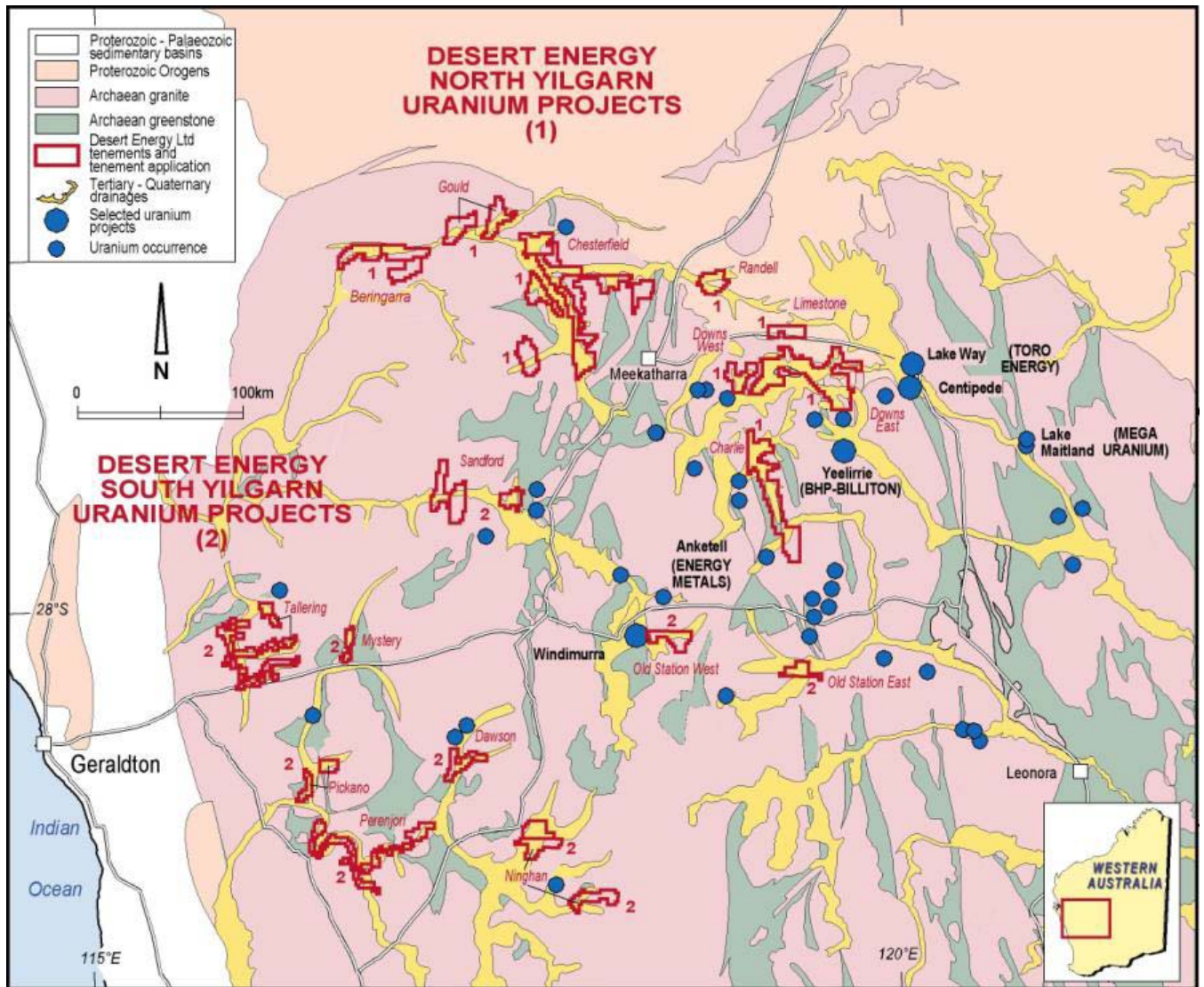
Reserves'. Robert Taylor and Garry O'Hara consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company's website is recommended reading for interested market watchers, brokers and investors. The website contains information on the Company's projects including maps, a list of the Company's announcements to ASX, information on Native Title (including the tenement grant process and heritage surveys) including in 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 Stock Exchange website at www.asx.com.au

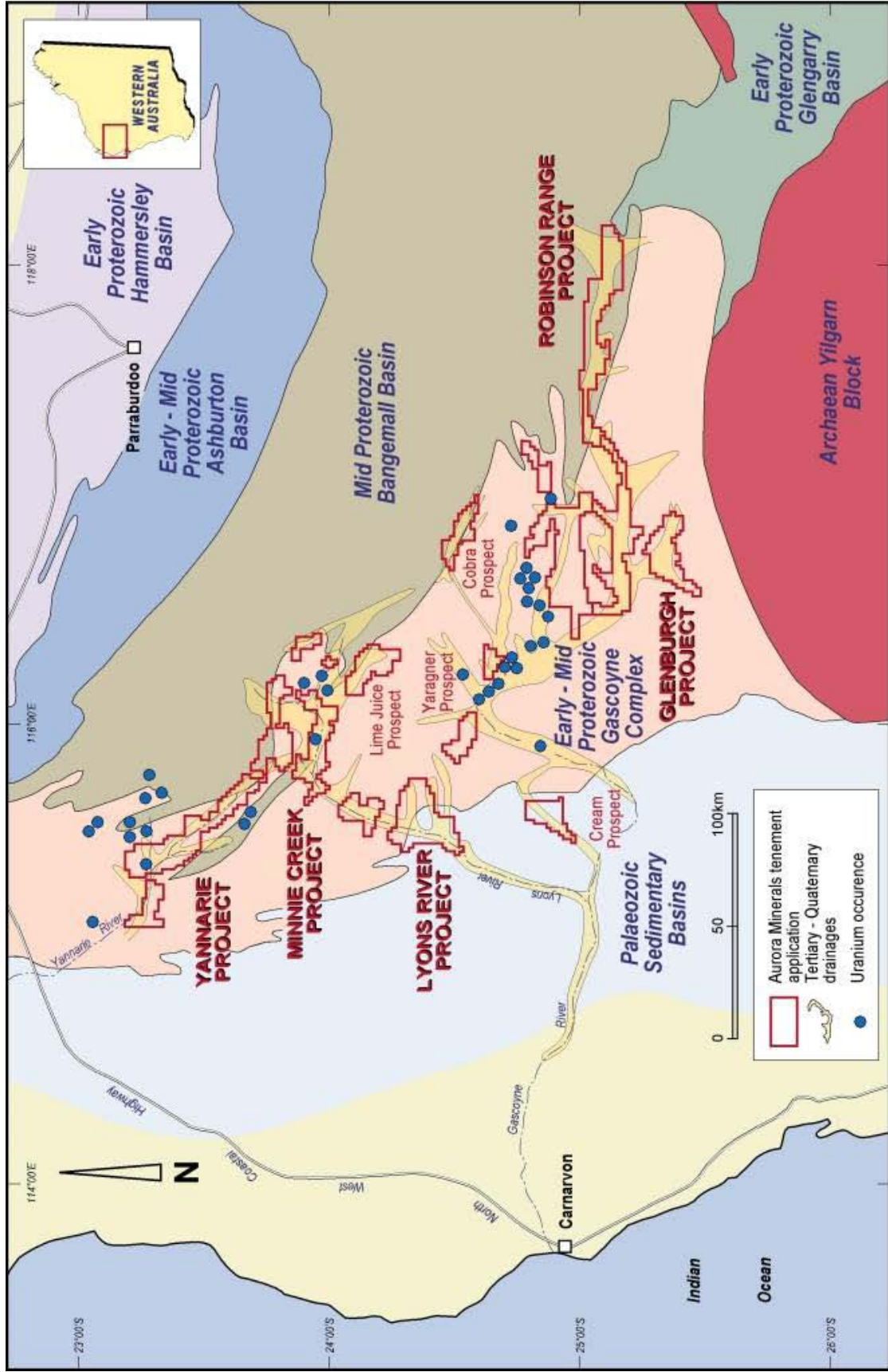
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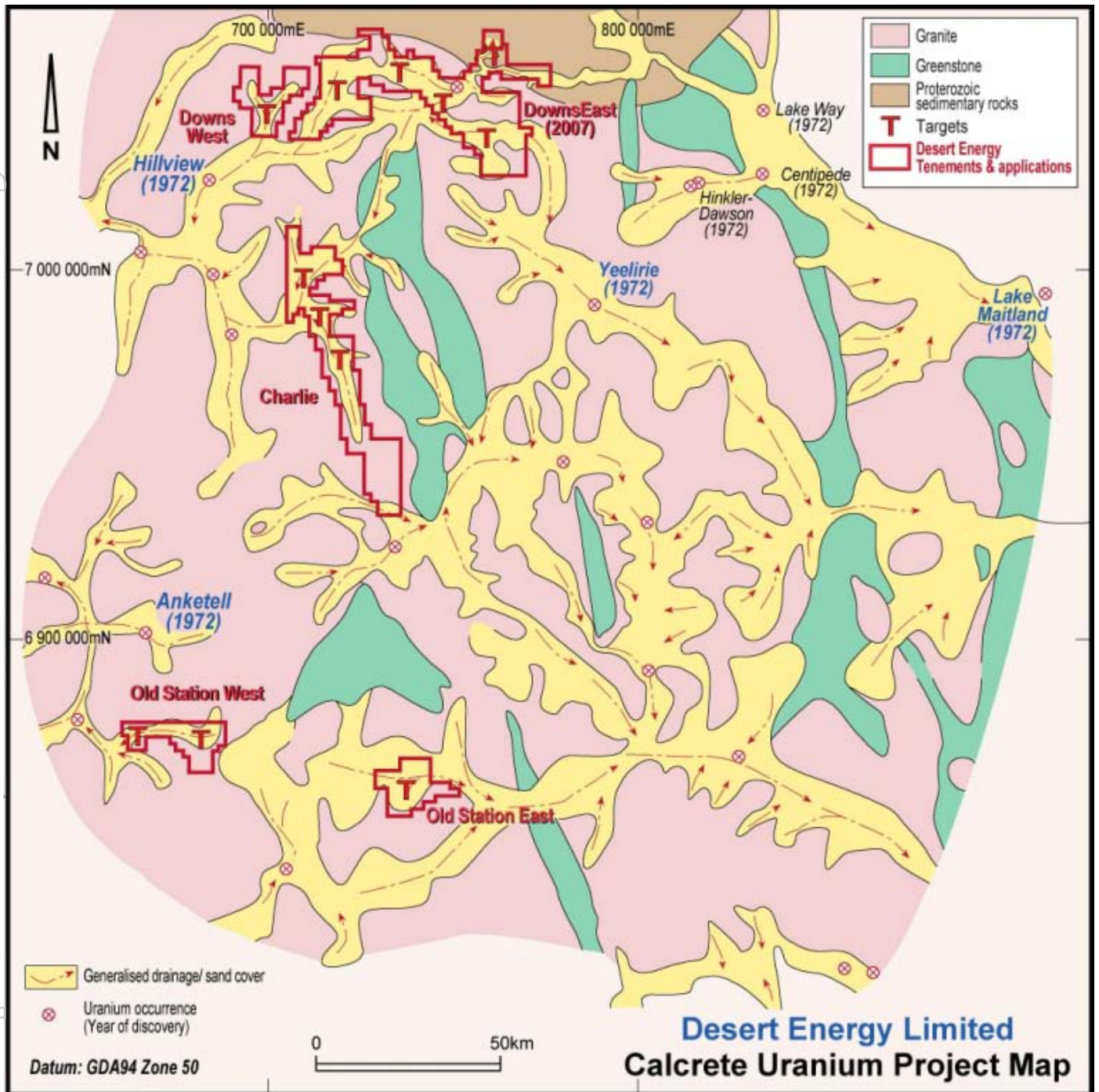
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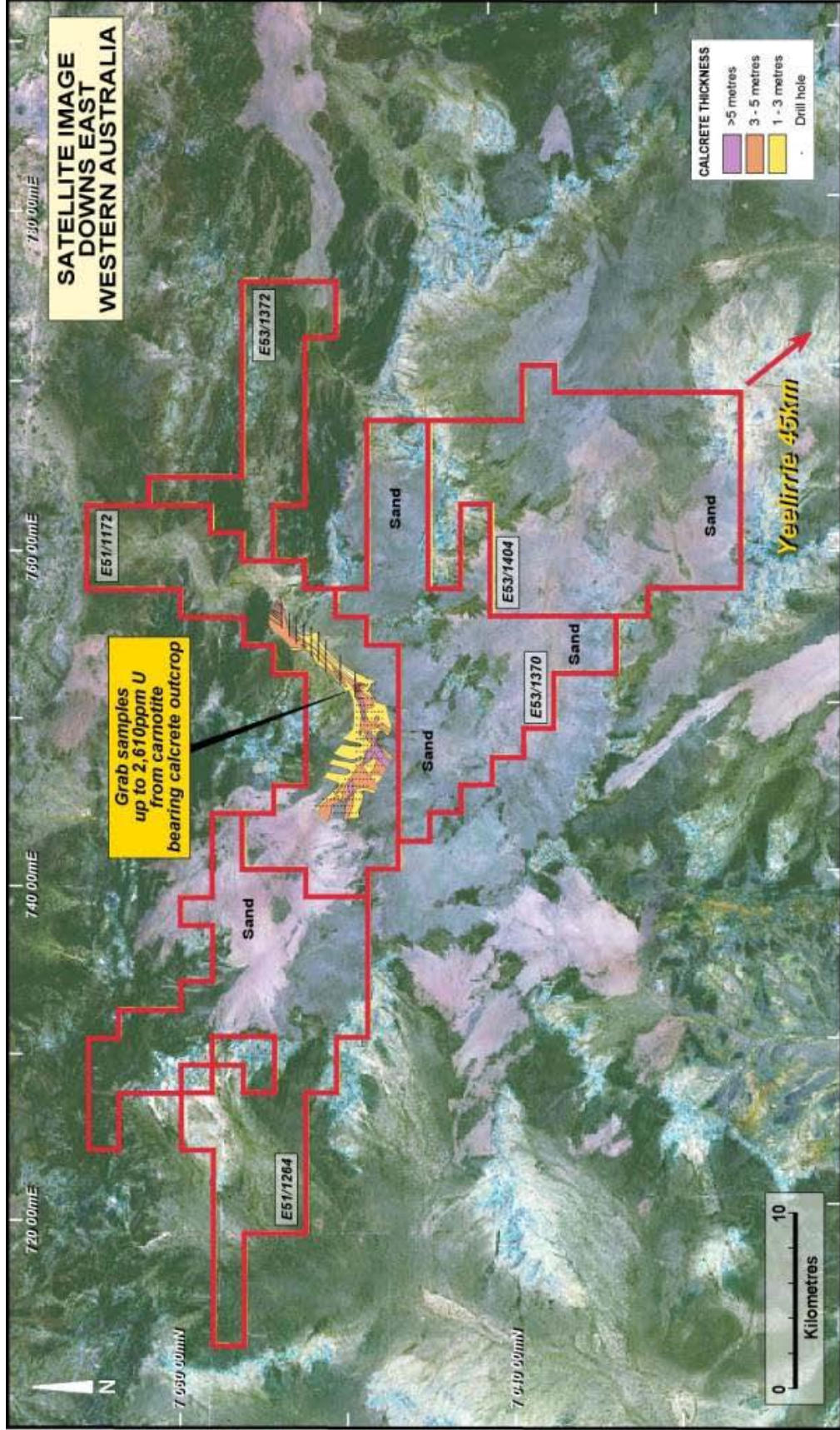


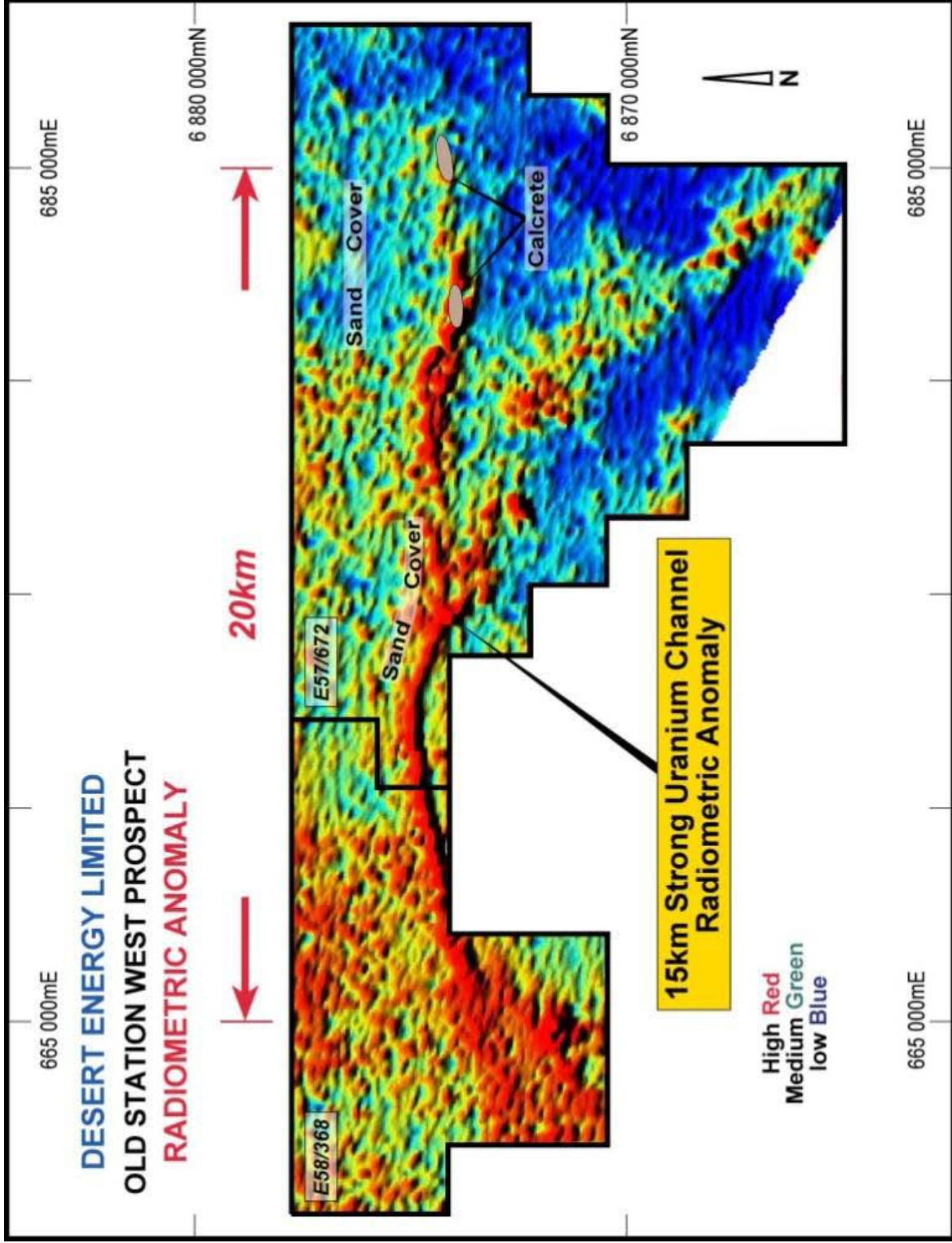
Desert Energy Limited Calcrete Uranium Prospects on the Yilgarn Block



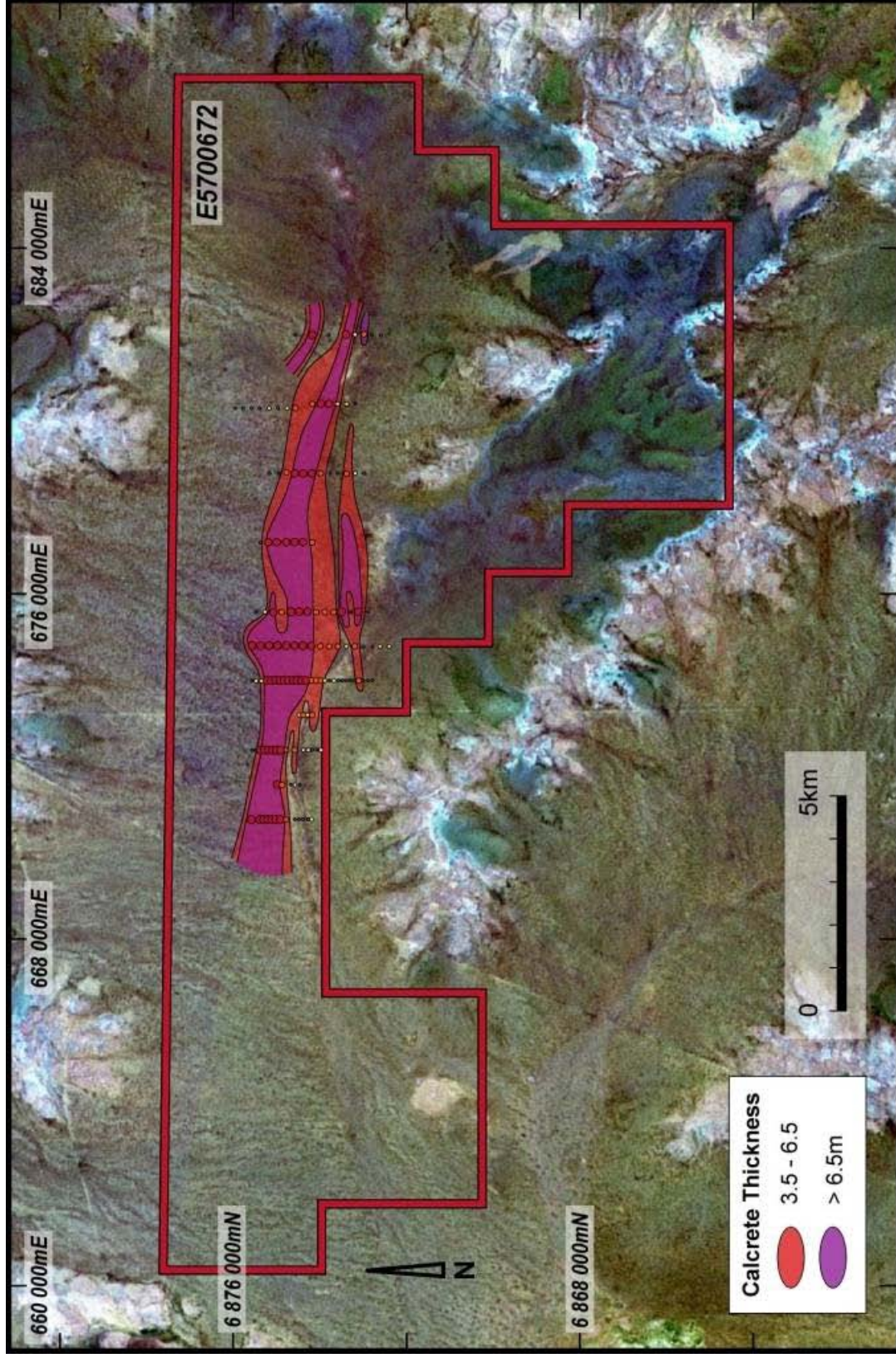
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Old Station West