



13 June 2008

The Manager  
Announcements  
Company Announcements Office  
Australian Securities Exchange  
PO Box H224 Australia Square  
SYDNEY NSW 2000

Dear Sir

**EMPLOYEE OPTION PLAN PROSPECTUS**

Desert Energy Limited has today lodged with the Australian Securities and Investments Commission a Prospectus for the issue of 500,000 Employee Options to five of its field technician personnel.

Shareholders approved the Company's Employee Option Plan at the Annual General Meeting held in November 2007.

The grant of Employee Options is designed to encourage participants to have a greater involvement in the achievement of the Company's objectives and to provide an incentive by participating in the future growth and prosperity of the Company through share ownership.

A copy of the Prospectus, dated 13 June 2008, is attached.

Yours faithfully

**Peter Rutledge**  
Company Secretary

# DESERT ENERGY LIMITED

ACN 123 102 974

## EMPLOYEE OPTION ISSUE PROSPECTUS

Prospectus for the offer under the terms of the Desert Energy Employee Option Plan of up to 500,000 Employee Options for nil consideration to Eligible Persons with each Option giving the holder the right to subscribe for one Share in the Company at an exercise price of \$0.35 per Share and with an expiry date of 31 May 2013 subject to earlier expiry in certain circumstances.

***This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.***

The Employee Options offered by this Prospectus are considered to be of a speculative nature.

## **CORPORATE DIRECTORY**

### **DIRECTORS**

Phillip Sidney Redmond Jackson (Chairman)  
Robert Spencer Taylor (Executive Director)  
Garry Patrick O'Hara (Executive Director)

### **COMPANY SECRETARY**

Peter Campbell Rutledge

### **REGISTERED AND PRINCIPAL OFFICE**

Level 2, 231 Adelaide Terrace  
PERTH WA 6000  
Telephone: 61 8 9218 8711  
Facsimile: 61 8 9325 3163  
Website: [www.desertenergy.com.au](http://www.desertenergy.com.au)  
Email: [info@desertenergy.com.au](mailto:info@desertenergy.com.au)

### **ASX CODE**

Ordinary Shares: DSN

## TABLE OF CONTENTS

SECTION	PAGE	
Section 1	DETAILS OF THE ISSUE	3
Section 2	EFFECT OF THE ISSUE ON THE COMPANY	6
Section 3	RISK FACTORS	8
Section 4	ADDITIONAL INFORMATION	14
Section 5	DIRECTORS' RESPONSIBILITY STATEMENT & CONSENT	26
Section 6	DEFINED TERMS	27

### Important Notes and Statements

This Prospectus is dated 13 June 2008. A copy of this Prospectus was lodged with the ASIC on 13 June 2008. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus.

No Employee Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. Employee Options issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

An application for Employee Options will only be accepted on the relevant Application Form accompanying this Prospectus.

### Key Definitions

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in Section 6 of this Prospectus.

### Risk Factors

Persons to whom the Employee Options are offered under this Prospectus should read this Prospectus in its entirety, and in particular Section 3- Risk Factors.

The Company's business involves exploration for minerals. As such any investment in the Company is considered speculative. The Company has no income producing assets and its business prospects are contingent upon the success of its exploration activities and the raising of further capital if and when required in order to continue exploration activities.

*In particular it should be noted that the Company's projects include exploration prospects for uranium. Current Western Australian State Government policy prohibits mining of uranium in Western Australia. The Australian Labor Party State Government was re-elected on 26 February 2005 for another 4 year term and has publicly stated that this policy will remain in force during their term.*

## Section 1 DETAILS OF THE ISSUE

### 1.1 Issue

- Pursuant to this Prospectus, the Company is offering to the following Eligible Persons, a total of 500,000 Employee Options (divided amongst the Eligible Persons in the proportions set out in Table 1) with each Option giving the holder the right to subscribe for one Share in the Company at the Exercise Price with an Expiry Date of 31 May 2013 subject to earlier expiry in certain circumstances.

*Table 1*

<b>Eligible Person</b>	<b>Services</b>	<b>Number of Employee Options being offered</b>	<b>Expiry Date</b> (expiry date may be earlier in certain circumstances)
Leigh Chambers	Logistics Officer	100,000	31 May 2013
Luke Steers	Field Technician	100,000	31 May 2013
Ashley Boyle	Field Technician	100,000	31 May 2013
Graham Cunnold	Field Technician	100,000	31 May 2013
Brendon Doodkorte	Field Technician	100,000	31 May 2013
<b>TOTAL</b>		<b>500,000</b>	

The Eligible Persons have been retained by the Company (either directly or through other entities) to provide the services specified in the above table. The grant of the Employee Options to the Eligible Persons is designed to encourage the Eligible Persons to have greater involvement in the achievement of the Company's objectives and to provide an incentive by participating in the future growth and prosperity of the Company through share ownership. It is also hoped that the Employee Options will assist the Company in retaining the services of the Eligible Persons in a tight labour market.

The terms and conditions of the Employee Options are set out in Section 4.4 of this Prospectus. The expiry date for the Employee Options or some of them may be decreased in the manner and in the circumstances specified in the terms and conditions of the Employee Options as set out in Section 4.4. The Employee Options are offered in accordance with Desert Energy Limited Employee Option Plan and accordingly the Employee Options are also governed by the rules of such plan a full copy of which appears towards the end of this Prospectus.

There is no minimum subscription of the Issue and the Issue will proceed irrespective of how many of the offers are accepted. As the Employee Options are to be issued for nil consideration, no funds will be raised by the Issue and therefore in the event that some only of the Employee Options are issued will have no impact on the ability of the Company to carry out its proposed activities.

### 1.2 Subscribing to the Issue

Each Eligible Person who is offered Employee Options pursuant to this Prospectus may:

- (a) accept such offer in whole or in part only (using the Application Form); or

- (b) do nothing (in which case no Employee Options will be granted to that Eligible Person).

### 1.3 Indicative Timetable

Prospectus lodged at ASIC and dispatched to Eligible Persons	13 June 2008
Closing Date	23 June 2008
Date for Issue of Options	24 June 2008
Dispatch of Option Certificates	30 June 2008

*Note: These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice subject to the Listing Rules and the Corporations Act.*

### 1.4 Entitlements and Acceptance

This offer under this Prospectus is made to each of the Eligible Persons and only persons from whom applications are specifically invited pursuant to this Prospectus are eligible to apply for Employee Options. The number of Employee Options for which each person is entitled to apply is specified on the relevant Application Form accompanying this Prospectus.

Forward your completed Application Form to:

By Post	By Fax	By Hand
Company Secretary Desert Energy Limited PO Box 3107 Adelaide Terrace PERTH WA 6832	Company Secretary Desert Energy Limited PO Box 3107 PERTH WA 6832 Fax No: 61 8 9325 3163	Company Secretary Desert Energy Limited Level 2, 231 Adelaide Tce PERTH WA 6000

### 1.5 Allotment of Employee Options

Employee Options granted pursuant to this Prospectus will be granted no later than the 2nd Business Day after the Closing Date.

### 1.6 Quotation of Shares and Non Quotation of Employee Options

The Shares to which the Options relate are in a class of shares which are listed for quotation on the ASX.

The Company will not, however, apply to ASX for official quotation of the Employee Options. The Employee Options will therefore be unlisted and will not be tradeable on the ASX. The Employee Options are also subject to restrictions on transfer as detailed in the terms and conditions of the Employee Options (see Section 4.4 of this Prospectus).

However, the Company will apply to the ASX for official quotation of the Shares allotted pursuant to the exercise of any of the Employee Options if the Company's Shares are listed on the ASX at that time.

A decision by ASX to grant official quotation of the Shares issued on the exercise of any of the Employee Options is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the Employee Options now offered or the Shares issued on the exercise of any of the Employee Options.

#### **1.7 No Issue of Employee Options after 13 months**

No Employee Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

Shares allotted or issued pursuant to exercise of an Option may be allotted or issued later than 13 months after the date of this Prospectus and will be allotted or issued in accordance with the terms and conditions of the Employee Options and, in any event, not more than 5 days after the receipt of a properly executed notice of exercise of Employee Options and application moneys in respect of the exercise of the relevant Employee Options.

#### **1.8 Overseas Investors**

This Prospectus does not constitute an offer in any place where or to any person to whom it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

#### **1.9 Closing Date**

The Closing Date for applying for Employee Options pursuant to this Prospectus will be 5:00pm WST on 23 June 2008.

Application Forms should be submitted as soon as possible however they must be received prior to 5.00 pm on the Closing Date. The Company reserves the right to vary the Closing Date without prior notice. The Company also reserves the right not to proceed with the Issue at any time prior to the granting of the Employee Options.

#### **1.10 Underwriting**

The offer of Employee Options pursuant to this Prospectus is not underwritten.

## Section 2 EFFECT OF THE ISSUE ON THE COMPANY

### 2.1 Principal Effects

If the maximum number of Employee Options is granted, the principal effect on the Company is that it will grant a total of 500,000 Employee Options. The total number of Options on issue will increase from the current 35,006,700 to 35,506,700 (assuming none of the current Options on issue are exercised in the meantime). The total percentage of unexercised Options over issued Shares in the Company will be 42.5% of the presently issued capital. No funds will be received by the Company for the issue of the Employee Options.

The market price of the Company's Shares during the period of the Employee Options will normally determine whether or not the holder exercises the Employee Options. At the time any Employee Options are exercised, and Shares issued pursuant to the exercise of the Employee Options, the Company's Shares may be trading on the ASX at a price which is higher or lower than the exercise price of the Employee Options.

If the maximum number of Employee Options is granted and all such Employee Options are eventually exercised, the issued share capital of the Company will increase by 500,000 and the Company will raise capital in an amount determined by the Exercise Price for the Employee Options.

### 2.2 Capital Structure and Statement of Financial Position

#### Capital Structure of the Company

At the date of this Prospectus, the Company has 82,271,001 Shares on issue, all of which are quoted on the ASX. In addition, at the date of this Prospectus the Company has the following Options on issue:

Options	Number
Non-quoted Options (exercisable at \$0.34017 each, expiring 31 October 2014)	7,500,000
Non-quoted Options (exercisable at \$0.34017 each, expiring 30 November 2010)	3,700,000
Non-quoted Options (exercisable at \$0.31 each, expiring 30 November 2012)	740,000
Non-quoted Options (exercisable at \$0.372 each, expiring 30 November 2010)	2,000,000
Quoted Options (exercisable at \$0.25 each, expiring 30 April 2010)	20,566,700
Non-quoted Options (exercisable at \$0.38 each, expiring 30 April 2011)	500,000
<b>Total</b>	<b>35,006,700</b>

Upon completion of the Issue, assuming all Employee Options are applied for, the total number of Options on issue will be 35,006,700, of which 14,440,000 will be non-quoted.



## Statement of Financial Position

### Balance Sheet

Set out as follows is an Auditor Reviewed Balance Sheet of the Company as at 31 December 2007. The Unaudited Proforma Balance Sheet has been prepared by adjusting the Reviewed Balance Sheet as at 31 December 2007 to reflect the financial effect of the following transactions as if they had occurred at 31 December 2007.

- (i) Expenses of this Options Issue of approximately \$5,000.
- (ii) Expenses of equity based compensation of \$83,746.

### UNAUDITED BALANCE SHEET FOR COMPANY

#### PRO-FORMA REFLECTING PROPOSED CONSULTANT OPTIONS ISSUE

	<b>Auditor Reviewed 31 December 2007 \$</b>	<b>Unaudited Proforma \$</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	6,529,446	6,524,446
Receivables	191,313	191,313
Other Assets	3,708	3,708
Total Current Assets	<u>6,724,467</u>	<u>6,719,467</u>
<b>Non Current Assets</b>		
	124,601	124,601
Total Non Current Assets	<u>124,601</u>	<u>124,601</u>
Total Assets	<u>6,849,068</u>	<u>6,844,068</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	264,585	264,585
Total Current Liabilities	<u>264,585</u>	<u>264,585</u>
Total Liabilities	<u>264,585</u>	<u>264,585</u>
<b>Net Assets</b>	<u>6,584,483</u>	<u>6,579,483</u>
<b>EQUITY</b>		
Issued Capital	7,612,918	7,607,918
Share-based payments reserve	1,388,140	1,471,886
Accumulated losses	(2,416,575)	(2,500,321)
<b>Total Equity</b>	<u>6,584,483</u>	<u>6,579,483</u>

## **Section 3 RISK FACTORS**

### **3.1 Introduction**

Exploration and mining companies throughout the world are subject to the inherent risks of the minerals industry.

Investors should be aware that an investment in the Company (and its subsidiaries) involves a number of risks. Intending investors should read the whole of this section; the Companies ASX Announcements (including the Desert Energy Prospectus); and the Company's website including the Sustainability Section in order to fully appreciate such matters and the manner in which the Company intends to operate, before any decision is made to trade in the Company's securities.

The following summary, which is not exhaustive, lists some of the major risk factors, of which potential investors need to be aware.

For more information on the risks including Native Title matters, land access, environmental legislation, financing or other risks associated with exploration and mining, there is extensive information on the Company's website and interested parties and potential investors should read these and in its ASX announcements.

Companies operating in Australia are subject to the relevant laws in those jurisdictions.

These include, in the case of the Western Australian tenements;

- the Western Australian Mining Act 1978,
- the Commonwealth Government Native Title Act; and
- the relevant State and Federal environmental and occupational health and safety legislation;
- Mining tenements in Western Australia are also subject to statutory requirements of certain other Acts including the Aboriginal Heritage Act 1972, Environmental Protection Act 1971, Rights in Water and Irrigation Act 1914 and Conservation and Land Management Act 1984.

### **3.2 Summary**

The future viability and profitability of the Company as an exploration and mining company will depend on a number of factors, including:

#### **3.2.1 Tenements**

- Risks associated with obtaining the grant of any or all of the Company's mining tenements or permits which are applications, or renewal of tenements upon expiry of their current term, including the grant of subsequent titles where applied for over the same ground;

- Generally the grant or refusal of tenements is subject to ministerial discretion and there is no certainty that the tenements applied for will be granted;
- Applications are also subject to additional processes and requirements under the Native Title Act;
- No legal or equitable interest in or affecting an exploration licence application can be transferred or dealt with while it is at the application stage;
- Following grant, no legal or equitable interest in or affecting a granted exploration licence can be transferred or otherwise dealt with during the first year of its term without the prior written consent of the relevant Western Australian Government minister ("Minister");
- The Company's ability to mine, in the event that exploration on an exploration tenement owned by the Company, or in which the Company has an interest, results in an economic deposit being discovered. The grant or refusal of production tenements is generally subject to ministerial discretion and there is no certainty that a production tenement will be granted;
- Any mining lease granted in Western Australia would be currently subject to a prohibition on uranium mining.

### **3.2.2 Native Title and Heritage Matters**

- Tenement applications and granted tenements are subject to the processes and requirements of the Native Title Act;
- Any application for a production tenement may be subject to the right to negotiate process under the Native Title Act in which case the grant of a valid tenement may require either the successful negotiation of an agreement with the native title claimants or holders or alternatively a successful application to the National Native Title Tribunal that the production tenement be granted.;
- The right to negotiate process under Native Title matters can result in significant delays to the implementation of any exploration or mining or stall it or could result in an inability to obtain the grant of the tenement at all;
- Negotiated native title agreements may adversely impact on the economics of exploration or mining depending on the nature of any commercial terms agreed;
- Risks arising because of the rights of indigenous groups in jurisdictions in which the Company operates which may affect the Company's ability to gain access to prospective exploration areas and to obtain exploration titles and access, and to obtain production titles for mining if exploration is successful;
- If negotiations for such access are successful, compensation may be necessary in settling or otherwise coming to some sort of agreement regarding indigenous title claims lodged or heritage matters over any of the tenements held or acquired by the Company;
- The risks associated with being able to negotiate access to land, including by conducting heritage and environmental surveys, to allow for prospecting, exploration and mining, is time and capital consuming and may be over budget and is not guaranteed of success.

### **3.2.3 Personnel Availability**

- In the very competitive environment of the current minerals boom, particularly in Western Australia, the availability and high cost of exploration and mining personnel, contractors and equipment for exploration and mining, and corporate and administration personnel and the cost of identifying, negotiating with and engaging the same and keeping them, is an important issue affecting exploration companies and can lead to significant delays in conducting exploration and mining activities.

### **3.2.4 Environmental**

- Environmental management issues which may need to be complied with from time to time. There are very substantive legislative and regulatory regimes with which companies need to comply for land access, exploration and mining which can lead to significant delays.

### **3.2.5 Weather and Access**

- Many of the Company's projects are in remote areas and are subject to access and weather issues;
- Poor access to exploration areas as a result of remoteness or difficult terrain;
- Poor weather conditions over a prolonged period which might adversely affect mining and exploration activities and the timing of earning revenues. This varies from high temperatures in summer, cyclones or alternatively very wet periods, each of which can disrupt or curtail exploration for considerable periods.

### **3.2.6 Repairs**

- Unforeseen major failures, breakdowns or repairs required to key items of exploration equipment and vehicles, mining plant and equipment or mine structure resulting in significant delays, notwithstanding regular programs of repair, maintenance and upkeep.

### **3.2.7 Government Policy and Legislation**

- The risk of material adverse changes in the government policies or legislation of Australia affecting the level and practicality of mining and exploration activities.

## **3.3 Further Information**

Risks inherent in exploration and mining including, among other things, successful exploration and identification of ore reserves, satisfactory performance of mining operations if a mineable deposit is discovered and competent management.

## **3.4 Uranium Mining – Australian Government Regulation and Policy**

Uranium mining in Australia is subject to extensive regulation by Commonwealth and State Governments in relation to exploration, development, production, exports, taxes and royalties, labour standards, occupational health, waste disposal, protection and rehabilitation of the environment, mine reclamation, mine safety, toxic and radioactive substances, native title and other matters. Accordingly, the approval processes for uranium mining are more rigorous than for the mining of other metals, due to the need to comply with such laws and regulations. Compliance with such laws and regulations will increase the costs of exploring, drilling, developing, constructing, operating and closing mines and other production

facilities. Further, there is a risk that, should economic deposits be discovered, the necessary government approvals may not be granted, or may be significantly delayed.

Although Western Australia currently has no legislation that prohibits uranium mining, there is a State Government policy prohibiting uranium mining. All mining leases granted since 22 June 2002 have been issued subject to a condition prohibiting the mining of uranium. While this does not restrict the Company exploring and evaluating its uranium prospects, the development of any discovered uranium deposits will be contingent upon a change of Western Australia State Government policy in relation to uranium production. There can be no assurance that the policy will change in the future and this may adversely affect the long-term prospects of the Company.

### **3.5 Land Access**

In 2006-2007 a large number of the Company's Western Australian EL's were applied for. A significant number of these are now granted, and the remainder are the subject of native title claimant objections.

The Company closely monitors the progress of its tenement applications and the Company has engaged a tenement Eligible Person to assist with the process from the outset.

Delays to the grant of tenements of more than 12 months can occur if objections are lodged, under either the Mining Act or Native Title Act.

Native title objections to exploration tenements are usually avoided if an applicant and an affected native title claimant/holder sign a standard heritage agreement, which facilitates the future survey and protection of heritage sites in areas of ground disturbing activities. However, many claimants appear to have moved away from supporting this process and in the areas affected by their claims, it is expected that delays in the granting of applications, and in conducting heritage surveys, might be experienced.

### **3.6 Heritage Surveys**

Aboriginal site clearances are generally not required for low impact activities such as the soil and rock chips sampling and airborne geophysical surveys, which the Company is currently focused on.

To ensure that that it does not contravene legislation while carrying out drilling on its tenements, the Company understands it would generally need to conduct Aboriginal heritage surveys to determine if any Aboriginal sites exist within the area of the drilling. If so, the Company would also need to ensure that any interference with such Aboriginal sites is in conformity with the provisions of the above WA Aboriginal Heritage Act and the Commonwealth Heritage Act.

In order to achieve outcomes in accordance with heritage agreements in areas it wishes to conduct drilling, the Company is and will be reliant on the timely, efficient and reasonable co-operation of the relevant Aboriginal persons with connections to the relevant land (often the Native Title claimants for the area) and those who represent them.

### **3.7 Environmental Risk**

The Company's projects are subject to stringent laws and regulations regarding environmental matters, which means there are potential liability risks and potential delays in gaining access for exploration or mining. The Company proposes to operate in accordance with applicable laws and conduct its programmes in a responsible manner with proper regard to the environment.

The approval processes for uranium mining are more rigorous than for the mining of other metals, as both Commonwealth and State Government legislation needs to be satisfied. There is a risk that, should economic deposits be discovered, the necessary government approvals may not be granted, or may be significantly delayed.

### **3.8 Exploration and Development Capital**

Exploration will reduce the cash reserves of the Company. The Company may be dependent on seeking exploration capital elsewhere, through equity raisings, debt, spin offs or joint venture financing, to support long term exploration and evaluation of its projects. In the event that an economic deposit is discovered, the ability to exploit such a deposit is likely to be subject to the Company's ability to raise the necessary development finance through equity raisings, debt, spin offs or joint venture financings. The Company cannot provide any guarantees that such finance for exploration, or for mining will be available to the Company at such time in the future as it may require and this could lead to the loss of tenements.

### **3.9 Liquidity and Realisation Risks**

There can be no guarantee that an active market in Securities will develop or that the price of Securities will increase. Moreover, there may be relatively few buyers or a relatively high number of sellers of the Securities on the ASX at any given time, which may increase not only the volatility of the market price of the Securities but also the prevailing price at which the Shareholders can sell their Securities. This may result in Shareholders receiving a market price for their Securities that is less than the price paid for their Securities.

### **3.10 Sharemarket Conditions**

The price of the Company's shares quoted on the ASX is influenced by international and domestic factors or even on a day to day basis by individual investor's decisions to buy or sell the Company's securities.

Should these produce a negative effect on the share price, this may also affect the Company's ability to raise development capital.

### **3.11 General Economic Factors and Investment Risks**

General economic conditions may affect inflation and interest rates, which in turn may impact upon the Company's operating costs and financing. Other factors that may adversely affect the Company's activities in Australia or overseas include changes in government policies, natural disasters, industrial disputes, and social unrest or war on a local or global scale and commodity prices and exchange rates, which are constantly changing.

### **3.12 Speculative Nature of Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Company's securities.

Therefore, the Company's securities carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that investment in the Company is speculative and should consult their professional advisers before deciding whether to trade in the Company's securities.

### **3.13 Unforeseeable Risks**

There are likely to be risks that the Directors and the Company and its advisors are unaware of or do not fully appreciate at any point in time. Over time or with the benefit of hindsight these sometimes become apparent. Such risks may be related to legislation, regulation, business conditions, land access, personnel or equipment availability, conflicts and disputes at a local or international level, data issues and a variety of other unforeseen eventualities.

### **3.14 Forward Looking Statements**

Forward-Looking Statements are statements included herein, including regarding future ability to finance projects and other statements that express management's expectations or estimates regarding the timing of completion of various aspects of the projects' development or of our future performance, constitute "forward-looking statements".

The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

In particular, the Company's announcements and presentations include many such forward-looking statements and such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of Aurora Minerals to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements and its forward-looking statements are not guarantees of future performance.

These risks, uncertainties and other factors are included in the Risks section of the Company's website and 2007 Desert Energy Limited Prospectus available on the Company's and ASX websites.

The Company expressly disclaims any present intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise, except where required by law.

## **Section 4 ADDITIONAL INFORMATION**

### **4.1 Legal Framework of This Prospectus**

The Company is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules and the Corporations Act which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its Shares.

### **4.2 Applicability of Corporations Act**

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of options to acquire shares being shares which are quoted securities in a class of securities that were quoted securities at all times in the 3 months before the issue of this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by the ASX, throughout the 3 months before the issue of this Prospectus.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at the ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

### **4.3 Information Available to Shareholders**

The Company will provide a copy of each of the following documents, free of charge, to a person who so requests during the application period pursuant to this Prospectus:

- (a) the Financial Report for the Company for the year ending 30 June 2007 (being the last financial report for a financial year to be lodged with the ASIC in relation to the Company before the issue of this Prospectus); and
- (b) any half year financial report lodged with ASIC by the Company after the lodgement of the annual financial report referred to in (a) above but before the lodgement of this Prospectus with ASIC; and
- (c) any continuous disclosure notices given by the Company to the ASX during the period after lodgement of the Financial Report of the Company for the half year ending 31 December 2007 and before the lodgement of this Prospectus with ASIC, as set out below:



<b>Lodgement Date</b>	<b>Headline/Description of Announcement</b>
21 January 2008	Quarterly Activities Report
30 January 2008	Radiometric Anomalies at Lyons river & Macadam Plain
31 January 2008	Quarterly Cashflow Report
20 February 2008	February 2008 Presentation
27 February 2008	Placement
27 February 2008	Section 708 Notice
4 March 2008	Non-Renounceable Entitlement Offer of Options
4 March 2008	Appendix 3B
4 March 2008	Amended Non-Renounceable Entitlement Offer of Options
7 March 2008	Prospectus- Non Renounceable Issue of Options
7 March 2008	Appendix 3B Amended
14 March 2008	Half Year Accounts
10 April 2008	Non Renounceable Issue
30 April 2008	Quarterly Cashflow Report
1 May 2008	Quarterly Activities Report
7 May 2008	Appendix 3B
9 May 2008	Appendix 3B in respect of February 2008 Placement
14 May 2008	Strong Radiometric Anomaly at Old Station
16 May 2008	Multiple Base Metal & Uranium Targets at Minnie Creek

#### 4.4 **TERMS AND CONDITIONS OF EMPLOYEE OPTIONS TO BE ISSUED UNDER DESERT ENERGY LIMITED EMPLOYEE OPTION PLAN**

The Employee Options are issued in accordance with the Desert Energy Limited Employee Option Plan will entitle the optionholders to subscribe for Shares in the Company on the following terms:

##### **(a) Employee Option Plan**

All the Employee Options are issued pursuant to the Plan and in the event of any inconsistency between the terms set out below and the Plan, the Plan will prevail and have effect to the extent of the inconsistency. Each of the Relevant Persons is deemed to be, and accepted as, an “Eligible Person” for the purposes of the Plan and each such Relevant Person will continue to be deemed to be, and accepted as, an “Eligible Person” while he continues to provide his services to the Company on a full or part time basis, whether as a direct employee of the Company or by virtue of any arrangement whereby the Relevant Person’s services are provided to the Company by another company which employs the Relevant Person.

##### **(b) Issue Price and Exercise price**

Each Employee Option is issued for nil consideration.

Each Employee 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 \$0.35 a Share (“the Exercise Price”).

**(c) Expiry date**

Subject to the provisions herein which provide for Employee Options to lapse earlier in certain circumstances, the Employee Options will expire on the Expiry Date.

**(d) Certificate**

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

**(e) Employee Options not listed**

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

**(f) Employee Options not transferable**

The Employee Options are not transferable except with the consent of the Board or as permitted in clause 14.5 of the Plan.

**(g) Exercise**

Except as otherwise permitted under clause 12 of the Plan, one half of the number of Employee Options issued to each optionholder are exercisable only on or after 31 May 2009 and the other half of the Employee Options issued to each option holder are exercisable only on or after 31 May 2010.

Subject to (m) below, the Employee Options may be exercised by notice in writing to the Company (“the Exercise Notice”), delivery of the Employee Option certificates and payment of the Exercise Price to the Company at any time between the date of First Exercise Date for those Employee Options and the Expiry Date (“the Exercise Period”). The Employee Options may be exercised in one or more lots in multiples of 10,000 on different occasions during the Exercise Period for those Employee Options. Within 5 business days of receipt of the “Exercise Notice” and Employee 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 Employee Options shall rank equally in all respects with the other issued fully paid shares in the Company.

**(h) New share issue**

If the Employee 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 Employee 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 Employee Options will be reorganized by the Company in accordance with the Listing Rules (including without limitation by the Company changing the number or exercise price for the Employee Options in such manner as may be required by the Listing Rules.)

**(k) Change of Employee 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 Employee Options may be reduced according to the following formula:

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

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

O = the old exercise price of the Employee 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 Employee Options will be adjusted for bonus issues made prior to exercise of Employee Options. The effect will be that upon exercise of the Employee Options the number of shares received by the optionholder will include the number of bonus shares that would have been issued if the Employee Options had been exercised prior to the record date for bonus issues. The

exercise price of the Employee Options shall not change as result of any such bonus issue.

**(l) Dividends**

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

**(m) Cessation of engagement of the Relevant Period.**

In relation to each Relevant Person, the period from the date of issue of the Employee Options to such person or Nominee until the First Exercise Date is deemed a minimum period for the purposes of clause 14.3a) of the Plan such that if the Relevant Person ceases to be classified as an Eligible Person during such period all Employee Options issued to that Relevant Person or Nominee will lapse such that none of those Employee Options will be exercisable.

In the event that a Relevant Person ceases to be an Eligible Person after the First Exercise Date then some or all of the Employee Options issued to that Relevant Person or his Nominee may lapse or be subject to a shortened Exercise Period in accordance with the application of the provisions of Clause 14 of the Plan.

**(n) Interpretation**

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

“**ASX**” means the Australian Securities Exchange;

“**Board**” means the board of directors of the Company

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

“**Eligible Person**” will bear the same meaning as in the Plan.

“**Employee Options**” means the options the subject of these terms and conditions which are to be granted to each of the Relevant Persons or their Nominees under the Plan

“**Exercise Period**” means the period referred to in clause (g).

“**Expiry Date**” means 31 May 2013;

“**First Exercise Date**” means:

(a) in relation to one half of the Employee Options issued to an optionholder, 31 May 2009;

(b) in relation to the other half of the Employee Options issued to that optionholder, 31 May 2010.

“**Listing Rules**” means the listing rules as amended from time to time of the ASX;

“**Nominee**” means a Permitted Nominee as defined in the Plan;

**“Plan”** means the Desert Energy Limited Employee Option Plan as amended from time to time;

**“Relevant Person”** means:

- (a) in relation to the Employee Options issued or to be issued to Graham Cunnold or to his nominee, Graham Cunnold;
- (b) in relation to the Employee Options issued or to be issued to Luke Steers or to his nominee, Luke Steers;
- (c) in relation to the Employee Options issued or to be issued to Ashley Boyle or to his nominee, Ashley Boyle;
- (d) in relation to the Employee Options issued or to be issued to Brendon Doodkorte or to his Nominee, Brendon Doodkorte;
- (e) in relation to the Employee Options issued or to be issued to Leigh Chambers or to his nominee, Leigh Chambers.

#### **4.5 Rights Attaching to Shares to be issued Pursuant to Exercise of Employee Options**

The Shares underlying the Employee Options to be issued pursuant to this Prospectus will rank equally in all respects with existing Shares in the Company.

The Company has one class of shares on issue, being fully paid ordinary shares in the capital of the Company.

The rights attaching to Shares in the Company are:

- set out in the Constitution of the Company, a copy of which is available for inspection during normal business hours at the registered business office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights attaching to Shares in the Company as set out in the Constitution.

##### **(a) Voting Rights**

Every holder of shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of shares who is present in person or by proxy, attorney or representative has one vote for every fully paid share held by him or her, and a proportionate vote for every partly paid share, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the chairperson of the meeting, by any 5 shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the shares of all those shareholders having the right to vote at that meeting.

**(b) Dividend Rights**

Dividends are payable out of the Company's profits and are declared by the Directors.

**(c) Transfer of Shares**

A shareholder may transfer shares by a market transfer in accordance with any computerised or electronic system established or recognised by the ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by the ASX or in any other usual form or in any form approved by the Directors. Regulation 24 of the Company's constitution requires that the Company comply with the Listing Rules. The Listing Rules contain a number of provisions dealing with transfers of Shares.

Listing Rule 8.1 requires the Company as a listed entity to comply with the operating rules of the ASTC Settlement Rules in relation to any of its shares which are CHESSE Approved securities.

Listing Rule 8.10 generally prohibits the Company from preventing, delaying or interfering with the registration of a transfer document dealing with quoted securities. There are a few limited exceptions to this rule, for example where the Company has a lien on the shares, or the company is served with a court order restricting transfer or where transfer would breach an Australian law.

The Directors of the Company may refuse to register any transfer of shares, other than a market transfer, where the Company is permitted or required to do so by the Listing Rules or the SCH Business Rules.

**(d) Future Issues**

Subject to the Listing Rules the Directors have the right to grant to any person options or other securities with rights of conversion to shares or pre-emptive rights to any shares for any consideration and for any stock.

**(e) Variation of Rights**

If at any time the share capital is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, be varied or abrogated in any way with the consent in writing of the holders of three quarters of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. Any variation is subject to section 246B and 246E of the Corporations Act.

**(f) Liquidation Rights**

The Company has only issued one class of shares, which all rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of shareholders divide the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

**(g) Meetings and Notice**

Each shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution of the Company, the Corporations Act or the Listing Rules.

**(h) Shareholder Liability**

Any sum unpaid on a Share must be paid on the date on which it is payable under the terms of the issue of that Share.

Subject to compliance with the requirements of the Corporations Act, the Listing Rules and the original terms of issue of the Shares, the Directors may make calls upon the member in respect of any money unpaid on their Shares, make a call payable by instalments and revoke or postpone a call before the due date for payment. While the Company is a listed company, calls must be made in accordance with the Listing Rules. The Company must give a member on whom a call has been made written notice of the call within the time limits and in the form required by the Listing Rules. If a call is not paid before or on the day specified for payment, the Directors may require the member liable for the call to pay interest on the sum from and including the day for payment to the time of actual payment at the rate, not exceeding 20% per annum, determined by the Directors.

#### **4.6 Interests of Directors and Fees Payable**

4.6.1 At the date of this Prospectus the relevant interest of each of the Directors in the Shares and Options of the Company is as follows:

<i>Director</i>	<i>No of Shares Held Directly</i>	<i>No of Shares Held Indirectly</i>	<i>No of Options Held Directly</i>	<i>No of Options Held Indirectly</i>	<i>Total</i>
Philip Jackson	1,160,250	Nil	1,500,000	Nil	2,660,250
Robert Taylor	Nil	100,000 <sup>1</sup>	Nil	3,000,000 <sup>2</sup>	3,100,000
Garry O'Hara	Nil	Nil	3,000,000	Nil	3,000,000

Notes:

1. *These Shares are held by Mr Taylor as trustee for the Reindeer Super Fund Account of which Mr Taylor is a beneficiary.*

2. *These Options are held by Mr Taylor as trustee for the Pelican Trust of which Mr Taylor is a beneficiary (1,500,000) and by the Reindeer Super Fund Account of which Mr Taylor is a beneficiary (1,500,000).*

4.6.2 Except as disclosed in this Prospectus, no director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) or proposed director has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Issue; or
- the Issue.

4.6.3 Except as disclosed below and elsewhere in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Issue.

Over the last two years, no remuneration was paid or was payable to the Directors of the Company or their associated entities.

Consultancy fees to be paid during the year ended 30 June 2008 will be paid pursuant to the following consulting agreements:

- Remuneration and other terms of engagement for the Executive Director, Dr Robert Taylor, are formalised in a consulting agreement with Able Kids Pty Ltd (“Able Kids”). The Company entered into a consulting agreement on normal commercial terms and conditions dated 11 June 2007, with Able Kids, a company of which Dr Taylor is a director and shareholder, whereby Able Kids is engaged to provide the services of Dr Taylor to the company for an annual fee of \$100,000 plus the cost of insurance with effect from the date of the company’s admission to the official list of the Australian Securities Exchange. This remuneration is based on an average of 115 working days per year.
- The Company may terminate the consulting agreement for any reason by providing four months’ written notice;
- Should services of the director not be required during that four month period the cost to the company would be \$33,333; and
- Able Kids may terminate the consulting agreement for any reason by providing two months’ written notice.
- Remuneration and other terms of engagement for the Chairman, Mr Phillip Jackson, are formalised in a consulting agreement with Holihox Pty Ltd (“Holihox”). The Company entered into a consulting agreement on normal commercial terms and conditions dated 11 June 2007 with Holihox, a company of which Mr Jackson is a sole director and shareholder, whereby Holihox is engaged to provide the services of Mr Jackson to the company for an annual fee



of \$40,000 plus the cost of insurance with effect from the date of the company's admission to the official list of the Australian Securities Exchange.

- The Company may terminate the consulting agreement for any reason by providing four months' written notice;
- Should services of the director not be required during that four month period the cost to the company would be \$13,333; and
- Holihox may terminate the consulting agreement for any reason by providing two months' written notice.
  - Remuneration and other terms of engagement for the Executive Director, Mr Garry O'Hara, are formalised in a consulting agreement with Anketell Pty Ltd ("Anketell"). The Company entered into a consulting agreement on normal commercial terms and conditions dated 11 June 2007 with Anketell, a company of which Mr O'Hara is a director and shareholder, whereby Anketell is engaged to provide the services of Mr O'Hara to the company for an annual fee of \$100,000 plus the cost of insurance with effect from the date of the company's admission to the official list of the Australian Securities Exchange. This remuneration is based on an average of 115 working days per year.
- The Company may terminate the consulting agreement for any reason by providing four months' written notice;
- Should services of the director not be required during that four month period the cost to the company would be \$33,333; and
- Anketell may terminate the consulting agreement for any reason by providing two months' written notice.

The Directors are also entitled to be reimbursed for travelling and other expenses which they may properly incur in carrying out their duties and any Director performing extra or special professional services for the Company may be remunerated for those services.

#### **4.7 Interests of Named Persons**

Except as disclosed in this Prospectus, no expert or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Issue; or
- the Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the

Prospectus, or to any firm in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Issue under this Prospectus.

#### **4.8 Share Trading History**

The highest and lowest closing market sale prices of Shares on ASX during the 3 months up to and including the date of this Prospectus, and the respective dates of those sales were \$0.335 on 30<sup>th</sup> May 2008, and \$0.23 on 25<sup>th</sup> and 26<sup>th</sup> March 2008. The latest available market sale price of Shares on the ASX immediately before the lodgement of this Prospectus was \$0.285 on 12th June 2008.

#### **4.9 Expenses of the Issue**

The approximate expenses of the Issue including ASIC fees, advisers' fees, printing and distribution costs, legal costs and other miscellaneous expenses, is \$5,000 which has been paid or is payable by the Company.

#### **4.10 Consents**

There are a number of persons referred to in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of this Prospectus.

#### **4.11 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

#### **4.12 Privacy Disclosure Statement**

The Company collects information about each person who applies for Employee Options under this Prospectus from an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, (including mailing houses), the ASX, ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other

information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application for Employee Options.

## **5 DIRECTORS' RESPONSIBILITY STATEMENT & CONSENT**

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors knowledge, before any issue of Employee Options pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated: 13 June 2008

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Robert Taylor  
Director

## 6 DEFINED TERMS

"**ASIC**" means the Australian Securities & Investments Commission;

"**ASX**" means Australian Securities Exchange Limited;

"**Application Form**" means the application form for Employee Options accompanying this Prospectus and "**Applicant**" and "**Application**" have comparative meanings;

"**Board**" means the board of Directors from time to time;

"**Business Day**" means every day other than a Saturday, Sunday, 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;

"**Closing Date**" means 23 June 2008;

"**Company**" or "**Desert**" means Desert Energy Limited ACN 123 102 974;

"**Employee Options**" means the Options to be issued for nil consideration to Eligible Persons, with each Option giving the holder the right to subscribe for one Share in the Company at the Exercise Price prior to the Expiry Date (but subject to earlier expiry in certain circumstances) and otherwise on the terms and conditions set out in Section 4.4 of this Prospectus and the terms and conditions of the Plan;

"**Exercise Price**" means \$0.35 per Employee Option.

"**Expiry Date**" means 31 May 2013.

"**Corporations Act**" means the Corporations Act 2001 (Cth) as amended from time to time;

"**Directors**" means the directors of the Company;

"**DOIR**" means the Western Australian Department of Industry and Resources.

"**Issue**" means the issue of Employee Options pursuant to this Prospectus;

"**Listing Rules**" means the Listing Rules of ASX;

"**Option**" means an option to acquire one Share;

"**Plan**" means the Desert Energy Limited Employee Share Plan as amended from time to time;

"**Prospectus**" means this prospectus dated 13 June 2008;

"**Section**" means a section of this Prospectus;

"**Share**" means an ordinary fully paid share in the capital of the Company; and

"**WST**" means Australian Western Standard Time.



## Guide to the Desert Energy Limited Application Form

This Application Form relates to the Offer of up to 500,000 free Employee Options in Desert Energy Limited pursuant to the Prospectus dated 13 June 2008. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Employee Options of the Company and it is advisable to read this document before applying for Employee Options. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained below.

- A** Insert the number of Employee Options you wish to apply for. The Application must not exceed your allocation.
- B** Write the full name you wish to appear on the statement of option holdings. This can only be the name of an Eligible Person or a Nominee as defined in sub-clause (n) of Section 4.4 of the Prospectus. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected
- C** Enter your Tax File Number (TFN) or exemption category. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- D** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown.
- E** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- F** Before completing the Application Form, the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Employee Options in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Employee Options equal to or less than the number of Employee Options indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

**G**

### Correct form of Registrable Title

Note that only legal entities are allowed to hold Employee Options. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company which fall within the category of a Nominee (as defined in sub-clause (n) of Section 4.4 of the Prospectus. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

### H Type of investor

	Correct form of Registrable Title	Incorrect form of Registrable Title
<b>Individual</b> Use names in full, no initials	Mr John Alfred Smith	JA Smith
<b>Minor</b> (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
<b>Company</b> Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trusts</b> Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
<b>Deceased Estates</b> Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
<b>Partnerships</b> Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

### Lodgement of Applications

Return your completed Application Form to:

By Post to:  
Desert Energy Limited  
PO BOX 3107  
ADELAIDE TERRACE  
PERTH WA 6832

Or by fax to:  
Desert Energy Limited  
Fax No: 61 8 9325 3163

Or delivered to:  
Desert Energy Limited  
Level 2  
231 Adelaide Terrace  
Perth WA 6000

**Application Forms must be received no later than 5pm WST time on 23 June 2008.**