

Methodical Exploration Yields Excellent Results
Date

22 January 2008

ASX Code

DSN

Share Price

22cps

Market Cap (fully diluted)

\$17.6m (\$17.6m)

Issued Capital (fully diluted)

80.0m shares (80m)

Cash (as at 31 December 2008)

\$6.5m (est.)

Management

 Phillip Jackson (Chairman)
 Robert Taylor (Exec. Director)
 Gary O'Hara (Exec. Director)

Top Two Shareholders

 Aurora Minerals Ltd (50.0%)
 Custodial Services Ltd (2.2%)

Resources Analyst

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Since listing in mid-August 2007, Desert Energy Limited ("Desert Energy", "DSN", "Company") has continued to explore its large tenement holding, discovering high grade uranium mineralisation on its Downs East prospect. Downs East is located in the highly prospective north eastern Murchison region in WA. This region is host to a number of significant calcrete style uranium deposits such as Yeelirrie, Lake Way and Centipede. The carnotite uranium mineralisation found at Downs East was discovered when following up a strong uranium radiometric anomaly. The radiometric anomaly, defined from a recent detailed airborne magnetic-radiometric ("MagRad") survey, is over 25km long and partly under sand cover. The high uranium grades and long strike length highlight the potential for Downs East to host a significant uranium deposit.

The Company's exploration methodology of re-flying its tenements with detailed airborne MagRad has been validated by the uranium discovery. The results from Downs East have demonstrated that, even though some areas have extensive sand cover that may have masked deposits in the past, there is good potential to find calcrete hosted uranium deposits buried under cover within the Company's land holding. Going forward, we expect newsflow pertaining to results of other MagRad surveys, soil sampling results from other projects, and the commencement of drilling at Downs East. We continue to rate **Desert Energy Limited** as a **Speculative Buy**.

Investment Highlights
Downs East

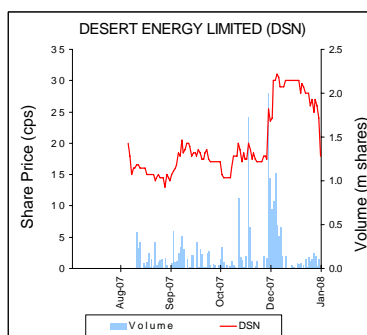
- **High Grade Carnotite Found** - Desert Energy has discovered high grade carnotite uranium mineralisation at its Downs East prospect, ~70kms north east of the Yeelirrie uranium deposit. The mineralisation was discovered during a soil sampling program following up a significant MagRad anomaly. Grab samples of the carnotite returned very high uranium grades including 2,610ppm U, 1,840ppm and 1,230ppm U.

The mineralisation is located on a strong 25km long radiometric anomaly. Most of the anomaly is covered by sand, though the carnotite was discovered in outcropping calcrete.

- **Soil Sampling Program** - Desert Energy has undertaken an extensive soil sampling program over Downs East with the results replicating both the shape and length of the radiometric anomaly. The sampling program results will be used to target the follow up drilling program, to which end the Company has already lodged drilling approval applications.

Other Exploration

- **MagRad Surveys** - In addition to the MagRad survey over Downs East and the previously released Charlie prospect, the Company has completed surveys over another seven projects. The Company will use these surveys to target soil sampling programs for potential follow up drilling as it has done for Downs East.
- **Soil Sampling** - The Company has also completed soil sampling programs on the Charlie, Cave, Downs West and Glenburgh prospects. We understand results should be returned from these programs in the next few weeks.

Share Price Performance


Source: Iress

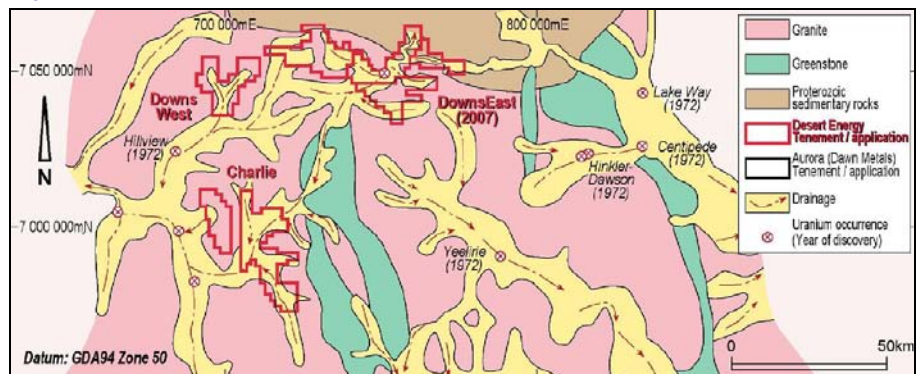
Work Completed

Since listing in mid-August 2007, Desert Energy has progressed the exploration of its large tenement portfolio with detailed airborne magnetic–radiometric surveys, ground reconnaissance, grab sampling and systematic geochemical sampling.

The Company has completed low-level detailed airborne MagRad surveys on at least nine of its projects in the Gascoyne and northern Yilgarn regions of WA. The surveys were aimed at generating significantly better quality data compared to the historic Government regional data. The surveys are a targeting tool designed to enable the definition of prospective radiometric anomalies with a view to generate areas for follow up geochemical sampling and drill targets. The survey covered ~25,000 line km and returned very encouraging results over a number of the projects. The Company has analysed and reported on only two these surveys in Downs East and Charlie. The Company plans to review and release the results for the other areas over the coming months.

The surveys over Downs East and Charlie (Figure 1), both returned excellent results with the definition of uranium channel radiometric anomalies of ~25km on each project. Both projects are within ~70km of the Yeelirrie uranium deposit (30Mt @ 0.15% U₃O₈), the worlds largest calcrete uranium deposit, and several other significant uranium deposits, all of which were discovered in the 1970's.

Figure 1: Downs and Charlie Projects



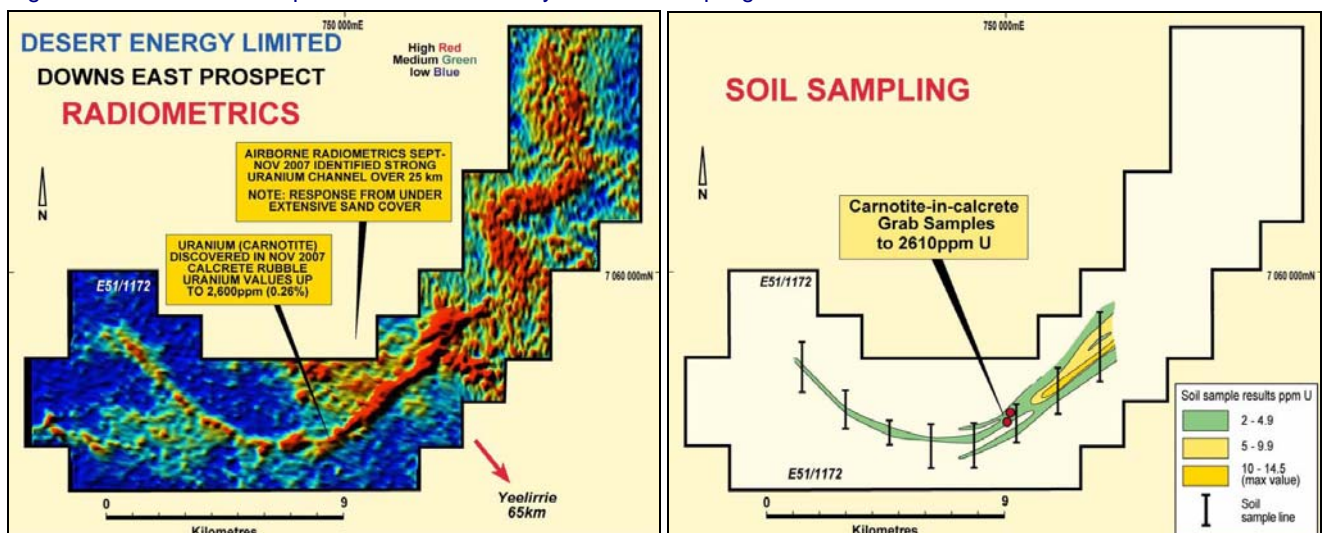
Source: Desert Energy Limited

Downs Project

The radiometric survey at Downs East was flown in two passes. The first survey was completed shortly after listing and covered the western two thirds of the project, defining a strong linear 12km uranium radiometric anomaly that was open to the north east. This survey was subsequently extended in November 2007, covering the remainder of the project, which extended the uranium anomaly to at least 25km. Notably, a large portion of the anomaly is covered by sand, which can typically mask such anomalies, indicating that the anomaly is either very strong, or that the sand cover is relatively shallow.

On completion of the first survey, the Company followed up with ground reconnaissance of the radiometric anomaly and discovered Carnotite uranium mineralisation. The carnotite mineralisation was located in isolated outcrops surrounded by sand cover. A number of grab samples were taken from the area, returning some exceptional grades including 2,610ppm, 1,840ppm and 1,230ppm U. The Company also undertook a wide spaced soil sampling program over the western and central parts of the 25km radiometric anomaly. The results from the sampling very closely replicated both the shape and length of the radiometric anomaly (Figure 2).

Figure 2: Downs East Prospect Radiometric Survey and Soil Sampling Results



Source: Desert Energy Limited

The two north eastern-most lines of the program had significantly higher results, which also correlates well with the increasing strength of the radiometric anomaly in this area.

The radiometric anomaly appears to be continuous within a single palaeodrainage system, and DSN believes that it has not been previously explored. Given the length of the anomaly, with corresponding high grade uranium mineralisation at surface, as well as correlating soil sampling results, the Company believes that the discovery at Downs East has the potential to be the first new significant calcrete uranium discovery in the region since the 1970's.

Following the sampling, the Company will commence a broad spaced drill program targeting ~14km of the radiometric anomaly. To this end, Desert Energy has lodged statutory applications for drilling.

Other Projects

Following on from the successful exploration at Downs East, the Company plans to progress exploration at its other projects using the same methodology by defining radiometric anomalies from the MagRad surveys, then following up with ground reconnaissance and soil sampling to define drill targets.

To date, Desert Energy has completed MagRad surveys over its Minnie Creek, Yaragner, Lyons River, Chesterfield, Berringarra, Lime Juice, and MacAdam Plains prospects, as well as the Charlie and Downs prospects. Following on from these, the Company has completed soil sampling on the Charlie, Cave, Downs West and Glenburgh prospects. Results are still outstanding from these programs but are expected soon. Depending on results, as well as environmental and heritage clearances, we would expect some these prospects to be also drilled as part the same campaign when Downs East is drilled.

Conclusions

The discovery of uranium mineralisation at Downs East is very significant for the Company. Given that the radiometric anomaly is over 25km long, part of which is under sand cover, there is a strong potential for Downs East to develop into a significant uranium deposit. Drilling of the anomaly will be keenly awaited by the market given the large strike length and high grades encountered to date.

The discovery also highlights the value of re-flying the tenements with the detailed radiometric survey and validates the Company's exploration methodology. The methodology has highlighted that because sand cover may have masked deposits from historic exploration, there is still excellent potential to find more uranium mineralisation beneath this cover. We continue to rate **Desert Energy Limited** as a **Speculative Buy**.

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Strong Buy	Significant share price appreciation anticipated
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but is considered high risk
Accumulate	Buy in periods of weakness
Hold	Take no action
Reduce	Sell in periods of strength
Sell	Significant price depreciation anticipated

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Hartleys has completed a capital raising in the past 12 months for Desert Energy Limited ("Desert") for which it received fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide advice to Desert, for which it received fees and continues to receive fees. Hartleys was Broker to the Offer in respect of the Desert Initial Public Offer, for which it received fees. Hartleys, its Directors and Associates hold a beneficial interest of 1% in the securities of Desert.

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