



A wholly owned subsidiary of Drillsearch Energy Limited

ANNUAL REPORT

PERMIT YEAR 1

9TH OCTOBER 2008 TO 8TH OCTOBER 2009

PEL 106

COOPER/EROMANGA BASIN

SOUTH AUSTRALIA

DECEMBER 2009

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INTRODUCTION

Petroleum Exploration Licence (PEL) 106 is situated on the south-western margin of the Patchawarra Trough, one of the major depocentres in the South Australian portion of the Cooper Basin. PEL 106 covers an area of approximately 500 square kilometres. The permit was granted to Great Artesian Oil and Gas Limited (a wholly owned subsidiary of Drillsearch Energy Limited) on 9 April 2003 and renewed on 25 September 2008 for a further five years (second term).

This report details the work conducted during Licence Year One from 9th October 2008 to 8th October 2009.

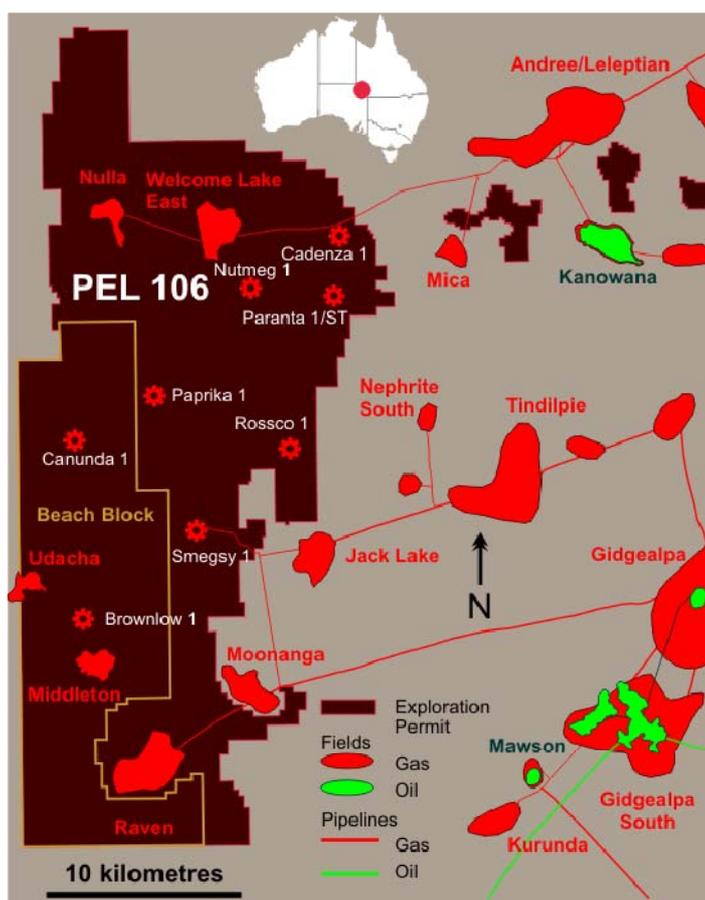


FIGURE 1. LOCATION OF PEL 106 AND EQUITABLE INTERESTS BLOCKS

PERMIT SUMMARY

The working interests in PEL 106 as at the end of the reporting period were:

Great Artesian Oil and Gas Limited (GAOG) - 100%

Beach Petroleum¹ Limited, Traditional Oil Exploration N.L. (a wholly owned subsidiary of Bandanna Energy Limited), Everdue P/L and Kompliment Pty Ltd (both wholly owned subsidiaries of Blue Energy Limited), Magellan Petroleum Limited and Rawson Resources Limited held equitable interests in the portions of PEL 106 (Table 1).

TABLE 1. EQUITABLE INTERESTS BLOCKS IN PEL 106

Holder	Nature of Equitable Interest Held
Beach Farmin Block	<p>Great Artesian Oil & Gas P/L – 50% Beach Petroleum Ltd – 50%</p> <p>Under the terms of a Letter Agreement dated 18 October 2004, Beach acquired an exclusive right to explore by funding 150 km of 2D seismic and at least one well per annum during permit life or farmin period. Under the terms of an Amendment Letter Agreement dated 23 November 2005 and 26 May 2006, Beach will earn a 50% participating interest in the Beach Farmin Block by funding 3 wells and 145 sq km of 3D seismic. Further Amendments were agreed on 1 July 2008 and 9 September 2008.</p>
Smegsy Block	<p>Great Artesian Oil & Gas P/L – 75% Traditional Oil Exploration P/L – 25%</p> <p>Under the terms of a Farmin Agreement and JOA signed on 10 March 2004, Traditional funded a 25% interest of the Smegsy-1. Subsequently modified by a Farmin Agreement dated 1 September 2005, Traditional funds 25% of a total of 4 wells in PEL 106 in order to earn 12.5% in a subsequent commercial discovery and obtained relief from funding 100% of the cost of drilling an exploration well in ATP 539 as part of a Farmin Agreement dated 10 March 2004.</p>
Rossco Block	<p>Great Artesian Oil & Gas P/L – 50% Kompliment P/L – 37.5% Traditional Oil Exploration P/L – 12.5%</p> <p>In accordance with a Letter Agreement dated 1 September 2005, Traditional Oil elected to fund 25% of Rossco-1 in order to earn a 12.5% interest in any subsequent PPL in the event of a commercial discovery. Under the terms of a Farmin Agreement dated 27 October 2005, Kompliment Pty Ltd funded 75% of Rossco-1 drilling costs in order to earn a 37.5% interest on similar terms.</p>
Paprika Block	<p>Great Artesian Oil & Gas P/L – 50% Everdue P/L – 37.5% Traditional Oil Exploration P/L – 12.5%</p> <p>In accordance with a Letter Agreement dated 1 September 2005, Traditional Oil elected to fund 25% of Paprika-1. Under the terms of a Farmin Agreement dated 29 May 2006, Kompliment Pty Ltd agreed to fund 100% of Paprika-1 in order to earn a 37.5% interest in a subsequent commercial discovery. In accordance with a Letter Agreement dated 1 September 2005, Traditional Oil elected to fund 25% of Paprika-1 in order to earn a 12.5% interest in any</p>

¹ As of 10 December 2009 Beach Petroleum Ltd changed its name to Beach Energy Ltd

	subsequent PPL in the event of a commercial discovery.
Udacha Block	<p>Great Artesian Oil & Gas P/L – 32.5% Magellan Petroleum P/L – 30.0% Beach Petroleum Ltd – 15% Traditional Oil Exploration P/L – 12.5% Rawson Resources Ltd – 10%</p> <p>Companies have interests in the Udacha Block in accordance with the Unitisation and Operating agreement dated 20 January 2006. Block is located partly in PEL106 and partly in PEL91. It is under Retention licence application (PRLA 26).</p>

The original work commitments for the second term of PEL 106 are detailed in Table 1.

TABLE 2. ORIGINAL WORK COMMITMENTS FOR TERM 2 BY LICENCE YEAR

Licence Year	Licence dates	Minimum Work Program
Year 1	09/10/2008 – 08/10/2009	Geological and Geophysical Studies
Year 2	09/10/2008 – 08/10/2010	Geological and Geophysical Studies
Year 3	09/10/2008 – 08/10/2011	Geological and Geophysical Studies
Year 4	09/10/2008 – 08/10/2012	Geological and Geophysical Studies
Year 5	09/10/2008 – 08/10/2013	Drill one well and Geological and Geophysical Studies

Two exploration wells were drilled in October – November 2008 (Licence Year 1), satisfying the Year 5 drilling commitment.

There have been no periods of suspension applying to PEL 106 during the current Licence Term.

EXPLORATION ACTIVITIES

DRILLING AND RELATED ACTIVITIES

Two exploration wells, Brownlow 1 and Canunda 1, were drilled during the Permit Year, in October-November 2008. The wells were drilled by The Joint Venture – Great Artesian Oil and Gas Ltd (a wholly owned subsidiary of Drillsearch Energy Limited) and Beach Petroleum Ltd. The operator for both wells was Beach Petroleum Ltd. Both wells are located within Beach Block of PEL 106.

Brownlow 1 is situated approximately 2 km north of the Middleton gas discovery, 4.4 km southeast of the Udacha gas discovery and 55 km northwest of the Moomba gas facility in the Cooper Basin, South Australia. The well was designed to test the hydrocarbon potential of Patchawarra sands, stratigraphically trapped over a plunging nose with three way dip closure on the western margin of the Patchawarra Trough. Details for the drilling of Brownlow 1 are specified in Table 3.

TABLE 3. BROWNLOW 1 DRILLING SUMMARY

Well Name	Brownlow 1
Type of well	Exploration
Contractor	Ensign International Energy Services
Date Spudded	19 October 2008
Status	Cased and Suspended
Evaluated hydrocarbon pay	5.9 metres net pay in the Patchawarra Formation with an average porosity of 13 percent and an average water saturation of 54 percent
Cased/suspended date	7 November 2008
Rig release date	7 November 2008
Rig	Ensign Rig 30
Pad construction	Earthworks commenced 14 September
Track construction	Earthworks commenced 14 September
Borrow Pit construction	
Formations Intersected	The depths at which each of the formation tops was intersected have been provided to PIRSA in the Well Completion Report, which will become 'open file' in December 2010.

Log analysis (SAROS) indicates 4.8m of net pay within the Patchawarra Formation sandstones. Brownlow 1 was cased and suspended for gas production.

The **Canunda 1** exploration well is located approximately 4 km southwest of Paprika-1, 8 km northwest of Smegsy-1, 6 km north of Tennyson-1 and 55 km northwest of the Moomba gas facility in PEL 106 in South Australia. The well was designed to test the hydrocarbon potential of Patchawarra sands, trapped over a fault dependant closure on the western margin of the Patchawarra Trough.

Numerous gas peaks associated with coal beds were recorded within the Patchawarra Formation. No fluorescence was observed in the Patchawarra. Between 2754.0m and 2772.0m In the Tirrawarra Formation, 100% of the sandstone had dull yellow fluorescence with instant blooming cut and a thin residue film. One suite of wireline logs was run at TD consisting of a consisting of three separate runs: HALS-BHC-PEX-EMS-GR, XPT-GR and CST-GR. Log analysis (Schlumberger) indicates 4.4m of net pay in the Patchawarra reservoir. Canunda 1 was cased and suspended for gas production and the rig released on 3 December. Details for Canunda 1 are summarised in Table 4.

TABLE 4. CANUNDA 1 DRILLING SUMMARY

Well Name	Canunda 1
Type of well	Exploration
Contractor	Ensign International Energy Services
Date Spudded	14 November 2008
Status	Cased and Suspended
Evaluated hydrocarbon pay	4.42 metres of net pay in the Patchawarra Formation with an average porosity of 16.5 percent and an average water saturation of 47.5 percent
Cased/suspended date	3 December 2008
Rig release date	3 December 2008
Rig	Ensign Rig 30
Pad construction	Earthworks commenced 28 September
Track construction	Earthworks commenced 28 September
Borrow Pit construction	
Formations Intersected	The depths at which each of the formation tops was intersected have been provided to PIRSA in the Well Completion Report, which will become 'open file' in November 2010.

SEISMIC DATA ACQUISITION

No regulated activities undertaken in the licence reporting period.

SEISMIC DATA PROCESSING AND REPROCESSING

No regulated activities undertaken in the licence reporting period.

GEOCHEMICAL, GRAVITY, MAGNETIC AND OTHER SURVEYS

No regulated activities undertaken in the licence reporting period.

PRODUCTION AND PROCESSING

No regulated activities undertaken in the licence reporting period.

PIPELINE CONSTRUCTION AND OPERATION

No regulated activities undertaken in the licence reporting period.

PRELIMINARY SURVEY ACTIVITIES

No regulated activities undertaken in the licence reporting period.

COMPLIANCE ISSUES

LICENCE AND REGULATORY COMPLIANCE

Pursuant to Regulations 33(2) (b) & (c), an annual report must include:

"a report for the year on compliance with the Act, these regulations, the licence and any relevant statement of environmental objectives;" and "a statement concerning any action to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, and to minimise the likelihood of recurrence of any such non-compliance."

There were no instances during Year 1 of the PEL 106 Licence in which the Joint Venture failed to comply with either the requirements of the Licence, the Regulations of the 2000 Petroleum Act, or the objectives of the SEOs, as per below:

LICENCE NON-COMPLIANCE

There were no instances of licence non-compliance arising from operations in PEL 106 during the permit year.

REGULATORY NON-COMPLIANCE

There were no instances of regulatory non-compliance arising from operations in PEL 106 during this permit year.

COMPLIANCE WITH STATEMENT OF ENVIRONMENTAL OBJECTIVES

Drilling

Government approval for the Beach Block Joint Venture to drill the Brownlow 1 and Canunda 1 wells was conditional on the Operator's committing to achieving the objectives defined in the "Statement of Environmental Objectives for Drilling and Well Operations in the Cooper / Eromanga Basins – South Australia (SEO)".

Both wells intersected zones which were considered to have the potential for economic recovery of hydrocarbons and consequently both were cased and suspended for future gas production. Both wells are currently waiting for extended production test (EPTs) to be conducted. The full assessment of the Joint Venture performance in achieving the SEO objectives cannot be completed until both well sites have been rehabilitated and as both wells will possibly become gas producers, full rehabilitation of the sites will not be accomplished until after production ceases. The Joint Venture is satisfied, however, that it has met all the other objectives required by the SEO for the drilling operations on this well. Table 5 summarises the strategies that were employed to achieve this compliance.

Seismic

No seismic surveys were conducted in PEL 106 during the reporting period.

TABLE 5. COMPLIANCE WITH THE SEO FOR COOPER BASIN DRILLING OPERATIONS

Objective	Assessment Criteria	Compliant/Non-Compliant	Comments
<p>Objective 1: Minimise the risk to public and other third parties.</p>	<p>Reasonable measures implemented to ensure no injuries to the public or third parties</p>	<p>Compliant</p>	<p>The design and operation of the Brownlow 1 and Canunda 1 wells was undertaken in accordance with The Joint Venture safety policies, standards and guidelines. All employees visiting or working on rigs undertook a safety induction prior to commencing work in the field and will undertake a refresher course if/when required.</p> <p>The Joint Venture Operator, Beach Petroleum, maintained its Permit to Work system during the drilling operations to control potentially dangerous situations.</p> <p>Accident / incident reporting systems were in place as defined in the Operator’s Drilling Operation Manual. Records are reviewed regularly to assess trends. Safety Management Plans were updated and reviewed on a regular basis.</p> <p>Appropriate PPE was issued to all personnel involved in the drilling operations.</p> <p>Emergency Response Plan (ERP) Bridging documents were prepared for both the Brownlow 1 and Canunda 1 drilling operations and all personnel involved in the operations were aware of the Emergency Response Plan. However, no situation arose that required the implementation of the Plan. Operator undertakes regular ERP exercises at selected drilling operations.</p>
<p>Objective 2: Minimise disturbance and avoid contamination to soil.</p>	<p>Well Site and Access Track Construction</p> <p>*0, +1 or +2 GAS criteria are attained for “Minimise visual impacts of abandoned well sites and access tracks” objective as listed in Appendix 4 for well lease and access track construction.</p>	<p>Compliant</p>	<p>*Brownlow 1 and Canunda 1 well sites were constructed in accordance with the procedures outlines in Operator’s “Guidelines for Lease Construction and Restoration”.</p> <p>*Topsoil was stockpiled for subsequent respreading when restoration activities are conducted.</p>

	<p>*No unauthorised off-road driving or creation of shortcuts.</p> <p>*No construction activities are carried out on salt lakes, steep tableland land systems or wetlands land systems (as defined in EIR).</p> <p><u>Borrow pit construction and restoration</u></p> <p>*0, +1 or +2 GAS criteria are attained for:</p> <p>“Minimise Visual Impacts for constructing borrow pits” objective as listed in Appendix 3, and “Minimise visual impacts” and “Minimise impact on soil” objectives as listed in Appendix 5.</p>		<p>* Vehicle movements were strictly limited to the defined access track and well pad area – areas which had been given cultural heritage clearance for the drilling operations.</p> <p>*Both wells, Brownlow 1 and Canunda 1, were cased and suspended, waiting on extended production tests, and full restoration of the well sites therefore have not been completed. Operator, Beach Petroleum, in accordance with the guidelines set down in PIRSA’s Field Guide for the Environmental Assessment of Abandoned Petroleum Wellsites in the Cooper Basin, South Australia always strives to attain the highest feasible GAS rating.</p> <p>*Borrow pits will be rehabilitated and restored in accordance with the guidelines set down in PIRSA’s Field Guide for the Environmental Assessment of Abandoned Petroleum Wellsites in the Cooper Basin, South Australia, to attain the highest feasible GAS rating.</p> <p>*All fuel, oil and chemicals were stored in accordance with relevant standards.</p> <p>*Refuelling was undertaken as per Drilling Contractors’ procedures.</p> <p>*There were no spills during the drilling operations that required reporting or corrective action to be taken in accordance with the Beach Incident Reporting system.</p>
<p>Objective 2: (Continued)</p> <p><i>(Minimise disturbance and avoid contamination to soil.)</i></p>	<p>Production Testing / Well Blowdowns</p> <p>*No soil contamination as a result of production testing or well blowdown operations.</p>	Complaint	<p>DST was conducted at Brownlow 1 well site in accordance with Contractor’s procedures. Disturbance to soil was kept to minimum and no soil was contaminated.</p>
	<p><u>Fuel and Chemical Storage and Handling</u></p> <p>*No spills/leaks outside of areas designed to contain them.</p> <p>*Level of hydrocarbon continually decreasing for in</p>		<p>*There were no spills during the drilling operations outside of areas that were designed to contain them.</p> <p>*Operator’s Oil Spill Contingency Plan is included in the Emergency</p>

	situ remediation of spills. *Soils remediated to a level as determined by the SHI process.		Response Plan.
	All domestic wastes are disposed of in accordance with EPA licensing requirements. *0, +1 or +2 GAS criteria for „Waste material“ objective is attained. *No spills or leaks from sewage treatment process and sludge pits.		*Wastes were managed as described in the Cooper Basin Drilling & Well Operations EIR. *Wastes were collected, stored and transported in covered bins / containers. *All rubbish was disposed of at a licensed waste facility
Objective 3: Avoid the introduction or spread of pest plants and animals and implement control measures as necessary.	No weeds or feral animals are introduced to operational areas.	Compliant	Drilling rig and associated equipment and vehicles had already been working in the Cooper Basin prior to commencing these drilling operations.
Objective 4: Minimise disturbance to drainage patterns and avoid contamination of surface waters and shallow ground water resources	Well Lease and Access Track Construction * Well leases and access tracks are located and constructed to maintain pre-existing water flows (i.e. channel contours are maintained on floodplains and at creek crossings). Drilling Mud Sumps and Flare Pits * No overflow of drill cuttings, muds and other drilling fluids from mud sumps. *No waste material disposal to sumps and flare pits	Compliant	*Neither well site was located in an area where flooding from local watercourses was likely to occur. *The drill pads and access tracks were constructed and located to avoid the possibility of flood waters from local inundation being diverted from their natural direction of drainage flow. *All drill cuttings, muds, and non toxic drill fluids were contained within designated mud sumps with adequate freeboard. *Sumps were dug sufficiently deep such that they could be back-filled with one metre of clean fill after completion of the drilling operations.
	Well Heads (Oil and Gas Systems) * No leaks/spills outside of areas designed to contain them		
	Well Blowdown/Production Testing * No water (surface or groundwater)		DST was conducted at Brownlow 1 well site in accordance to contractor’s procedures. No water

	contamination as a result of production testing or well blowdown operations		was contaminated. DST was not conducted at Canunda 1.
	Fuel/Chemical Storage and Handling * No leaks/spills outside of areas designed to contain them.		*Specific oil spill containment / cleanup materials were on site at all times. *All fuel, oil and chemicals were in accordance with relevant standards * Refuelling was undertaken as per Drilling Contractors' procedures. *There were no spills during the drilling operations outside of areas designed to contain them. *Operator's Oil Spill Contingency Plan is included in the Emergency Response Plan
Objective 5: Avoid disturbance to sites of cultural and heritage significance.	*Proposed well sites and access tracks have been surveyed and any sites of Aboriginal and non-Aboriginal heritage identified. * Any identified cultural and heritage sites have been avoided. <u>Note:</u> Where a negotiated agreement or determination for heritage clearance is in place, compliance with the negotiated agreement or determination takes precedence over the above criteria.	Compliant	The Joint Venture has an agreement with the Dieri Aboriginal Corporation Native Title Claimant group which specifies the requirements for scouting proposed well sites and access tracks to identify and avoid areas of heritage value and archaeological significance. Joint site visits were carried out with the Native Title Claimant group. Proposed drilling locations and access routes were agreed and given heritage clearance. Areas of significance were recorded and marked as exclusion zones.
Objective 6: Minimise loss of aquifer pressures and avoid aquifer contamination.	Drilling & Completion Activities: *There is no uncontrolled flow to surface (Blow- out). *Sufficient barriers exist in casing annulus to prevent crossflow between separate aquifers or hydrocarbon reservoirs.	Compliant	The Drilling Programs for Brownlow 1 and Canunda 1 wells were designed to ensure minimal loss of reservoir and aquifer pressures and minimal contamination of freshwater aquifers. The Well Completion programs were designed to ensure that future production operations from

	<p>*Relevant government approval obtained for abandonment of any radioactive tool left downhole.</p> <p><u>Producing, Injection, Inactive and Abandoned Wells</u></p> <p>*No cross-flow behind casing between aquifers, and between aquifers and hydrocarbon reservoirs unless approved by DWLBC.</p>		<p>these wells will cause minimal contaminants or loss of pressure in any formation aquifers.</p>
<p>Objective 7: Minimise disturbance to native vegetation and native fauna.</p>	<p><u>Well Lease and Access Track Construction and Restoration</u></p> <p>*Any sites with rare, vulnerable and endangered flora and fauna have been identified and avoided.</p> <p>*0, +1 or +2 GAS criteria are attained for “Minimise impacts on vegetation” objective as listed in Appendix 2, during well lease and access track site selection and construction and for “Re-establish natural vegetation on abandoned well sites and access track” objective in Appendix 4.</p>	Compliant	<p>Neither well was located in or near areas of high biological or wilderness values and hence the drilling operations presented no long term impacts to any such areas.</p> <p>National Parks and Wildlife flora/fauna databases contain no records of vulnerable or endangered species within several kilometres of either of these well sites.</p> <p>Construction of the access tracks required minimal clearance of vegetation and the routes were aligned to avoid clearing trees. Both well sites contained only sparse vegetation, and clearance was minimised. Trees that were present on the site and adjacent to the site were not cleared. Facilities were designed and constructed to minimise fauna entrapment.</p>
	<p><u>Borrow Pits Construction and Restoration</u></p> <p>*0, +1 or +2 GAS criteria are attained for “Minimise impacts on vegetation” objective as listed in Appendix 4 during borrow pit site selection and construction, and “Minimise Impact on Vegetation” objective in Appendix 5 for borrow pit restoration.</p> <p><u>Waste Management</u></p> <p>*Refer to assessment criteria for Objective 11.</p>		<p>*Borrow pits established for building the road and drill pad will be rehabilitated and restored in accordance with the guidelines set down in PIRSA’s Field Guide for the Environmental Assessment of Abandoned Petroleum Wellsites in the Cooper Basin, South Australia, to attain the highest feasible GAS rating.</p> <p>*Operator’s Drilling Operations Manual sets out the policy in relation to storage, use and disposal of hazardous material. At both well sites, wastes were managed as described in the</p>

	<p><u>Fuel and Chemical Storage and Management</u> *Refer to assessment criteria for Objectives 2 and 4.</p>		<p>Drilling & Well Operations EIR.</p> <p>*Wastes were collected, stored and transported in covered bins / containers.</p> <p>*All rubbish was disposed of at a licensed waste facility.</p>
<p>Objective 8: Minimise air pollution and greenhouse gas emissions.</p>	<p>Compliance with EPA requirements</p>	<p>Compliant</p>	<p>DST at Brownlow 1 was conducted in accordance with contractor's procedure and air pollution and greenhouse gas emissions were kept to a minimum possible level.</p>
<p>Objective 9: Maintain and enhance partnerships with the Cooper Basin community.</p>	<p>No unresolved reasonable complaints from the community</p>	<p>Compliant</p>	<p>* Joint Venture Partner and Operator, Beach Petroleum, maintained regular contact with landholders and associated stakeholders prior to, and while undertaking drilling operations at these wells.</p> <p>* Joint Venture Partners provide sponsorship to the Royal Flying Doctor Service.</p>
<p>Objective 10: Avoid or minimise disturbance to stakeholders and/or associated infrastructure</p>	<p>No reasonable stakeholder complaints left unresolved.</p>	<p>Compliant</p>	<p>*Operator maintained regular contact with landholders and associated stakeholders prior to and while undertaking drilling operations at each of the well sites.</p> <p>*The access tracks and well sites were located well away from regular tourist routes.</p> <p>*Neither well site was located near cattle watering points and cattle were not present in significant numbers due to prevailing drought conditions.</p> <p>*As both well sites are expected to become production sites, the drill pads will remain as work areas. Sumps and other pits built for the drilling operations have been back-filled to prevent stock becoming trapped in their boggy floors.</p> <p>*Once production from wells, Brownlow 1 and Canunda 1 ceases, the respective well sites will be fully rehabilitated and restored in accordance with the</p>

			<p>guidelines set down in PIRSA's Field Guide for the Environmental Assessment of Abandoned Petroleum Wellsites in the Cooper Basin, South Australia to attain the highest feasible GAS rating.</p> <p>*Discussions will be undertaken with the landowner to determine whether he wishes to have any rehabilitation work undertaken on either of the access tracks to the wells.</p>
<p>Objective 11: Optimise waste reduction and recovery.</p>	<p>*With the exception of drilling fluids, drill cuttings and other fluids disposed during well clean-up, and sewage wastes, all wastes to be disposed of at an EPA licensed facility in accordance with EPA Licence conditions.</p> <p>* Attainment of GAS criteria for "Site left in clean, tidy and safe condition after final clean-up" objective during well site restoration (refer Appendix 4).</p> <p>* Attainment of GAS criteria for "Site left in clean, tidy and safe condition" objective during borrow pit restoration (refer Appendix 5).</p>	Compliant	<p>*Waste was removed from the well sites in accordance with Operator's policy set out in the Drilling Operations Manual.</p> <p>*Non-putrescible waste material (including hazardous material) was stored safely on site for later removal to an EPA approved disposal facility.</p>
<p>Objective 12: Remediate and rehabilitate operational areas to agreed standards.</p>	<p>*No unresolved reasonable stakeholder complaints. <u>Contaminated Site Remediation</u></p> <p>*Contaminated sites are remediated in accordance with criteria developed with the principles of the National Environment Protection Measure for Contaminated sites and in consultation with the EPA.</p> <p><u>Well Site and Access Track Restoration</u></p> <p>*The attainment of 0, +1 or +2 GAS criteria for (refer</p>	Compliant	<p>Once production from the either well, Brownlow 1 and Canunda 1 ceases, the respective well sites will be fully remediated in accordance with criteria developed with the principles of the National Environment Protection Measure for Contaminated sites and in consultation with the EPA</p> <p>Any contaminated sites are remediated in accordance with The Joint Venture Guidelines and Industry Standards.</p> <p>Discussions will be undertaken with the landowner to determine whether he wishes to have any</p>

	<p>Appendix 4):</p> <p>-“minimise visual impact of abandoned well sites”</p> <p>“minimise visual impact of abandoned access tracks”</p> <p>-“re-establish natural vegetation on abandoned well sites and access tracks”</p> <p><u>Borrow Pit Restoration</u> *The attainment of 0, +1 or +2 GAS criteria (refer Appendix 5) for:</p> <p>“minimise impact on vegetation”, “minimise impact on soil”, “Minimise visual impacts”</p>		<p>rehabilitation work undertaken on either of the access tracks.</p>
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MANAGEMENT SYSTEM AUDITS

Pursuant to Regulation 33(2) (d) under the Act, an annual report must include:

“a summary of any management system audits undertaken during the relevant licence year including information on any failure or deficiency identified by the audit and any corrective actions that has, or will be taken”.

No management system audits were undertaken during the licence year in relation to exploration activities on PEL 106.

REPORT AND DATA SUBMISSIONS

Pursuant to Regulation 33(2) (e) under the Act, an annual report must include:

“a list of all reports and data relevant to the operation of the Act generated by the licensee during the licence year”.

A list is provided in Table 6 of the reports and data generated and samples submitted in relation to the operations undertaken during Tem 2, Year 1 of the Licence PEL 106.

TABLE 6. LIST OF REPORT AND DATA SUBMISSIONS DURING CURRENT LICENCE REPORTING YEAR

Description of Report/Data	Date Due	Date Submitted	Compliant / Non-Compliant
Brownlow 1 wireline logging – Run 1: HALS-PEX-BHC	1 January 2009	26 November 2008	<i>Compliant</i>
Brownlow 1 wireline logging – Run 2: MDT (XPT)	2 January 2009	26 November 2008	<i>Compliant</i>
Canunda 1 wireline logging – Run 1: HALS-BHC-PEX-EMS-GR	25 January 2009	18 December 2008	<i>Compliant</i>
Canunda 1 wireline logging – Run 2: MDT (XPT)	26 January 2009	18 December 2008	<i>Compliant</i>
Canunda 1 wireline logging – Run 3: CST (SWC)	26 January 2009	18 December 2008	<i>Compliant</i>
Cuttings samples for Brownlow 1	1 May 2009	24 March 2009	<i>Compliant</i>
Cuttings samples for Canunda 1	3 June 2009	28 April 2009	<i>Compliant</i>
Brownlow 1 well completion report	7 May 2009	29 April 2009	<i>Compliant</i>
Canunda 1 well completion report	3 June 2009	20 May 2009	<i>Compliant</i>
Application to Undertake Extended Production Testing at Brownlow 1 submitted 18 November 2008		18 November 2008	

Description of Report/Data	Date Due	Date Submitted	Compliant / Non-Compliant
Application to Undertake Extended Production Testing at Canunda 1 submitted 12 December 2008		12 December 2008	

INCIDENTS

Pursuant to Regulation 33(2) (f), an annual report must include:

“in relation to any incidents reported to the Minister under the Act and these Regulations during the relevant licence year –

- (i) an overall assessment and analysis of the incidents, including the identification and analysis of any trends that have emerged; and
- (ii) an overall assessment of the effectiveness of any action taken to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, or to minimise the risk of recurrence of any such non-compliance”.

There were no reportable incidents arising from the exploration operations undertaken on PEL 106 during Year 1 of Licence Term 2.

THREAT PREVENTION

Pursuant to Regulation 33(2) (g) under the Act, an annual report must include:

“a report on any reasonably foreseeable threats (other than threats previously reported on) that reasonably present, or may present, a hazard to facilities or activities under the licence, and a report on any corrective action that has, or will be taken”.

No threats have been identified to the proposed exploration activities for PEL 106 for this permit year.

FUTURE WORK PROGRAM

Pursuant to Regulation 33(2) (h) under the Act, an annual report must include:

“unless the relevant licence year is the last year in which the licence is to remain in force – a statement outlining operations proposed for the ensuing year”.

Two exploration wells drilled during this permit year are currently cased and suspended as gas discoveries. It is expected that both wells will be tested (extended production test) in the next permit year. Completion and testing of the Cadenza 1 and Paprika 1 wells will, most likely, be carried out in the next year as well. Further geological and geophysical studies are planned for the next permit year.

EXPENDITURE STATEMENT

Pursuant to Regulation 33(3) under the Act, an annual report must contain:

“An annual report must be accompanied by a statement of expenditure on regulated activities conducted under the licence for the relevant licence year, showing expenditure under each of the following headings:

- a) drilling activities;
- b) seismic activities;
- c) technical evaluation and analysis;
- d) other surveys;