



hybrid ENERGY
AUSTRALIA

PEL 127

ANNUAL REPORT

R1 YEAR 2

15 September 2012 to 14 September 2013

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1. INTRODUCTION

This report covers the work performed by Hybrid Energy Australia Pty Ltd (“Hybrid” or “Company”) as Operator, for the period 15 September 2012 to 14 September 2013 in accordance with Regulation 33 of the Petroleum and Geothermal Energy Regulations 2013.

Petroleum Exploration Licence PEL 127 is located in the onshore portion of the Otway Basin and covers an area of approximately 1216 km² (Figure 1).

Initially, the Licence was awarded in conjunction with Mineral Licences over the Kingston and Lochaber lignite deposits. Subsequently the Company surrendered the Lochaber mineral exploration licence and reduced the size of the petroleum exploration licence.

The holding of the licences under different Acts simultaneously provides the exploration rights to the coal, coal seam gas and gasification of the coal deposits and allows the Operator to assess all the possible methods of exploiting the resource without conflicting interests.

The potential exploitation of the resource is referred to as the Kingston Lignite Project.

2. PERMIT SUMMARY

2.1. Licence Holders

For the duration of the permit year the licence holder was;

Hybrid Energy Australia Pty Ltd 100%

2.2. Work Requirements

The licence was renewed in August 2011 for a further five year term commencing on 15 September 2011 and ending on 14 September 2016.

The work requirements are:

Year	Work Requirement
One (end 14/9/12)	Feasibility Study
Two (end 14/9/13)	Feasibility Study
Three (end 14/9/14)	Feasibility Study
Four (end 14/9/15)	Feasibility Study
Five (end 14/9/16)	Feasibility Study

The Kingston Lignite Project is at a stage where the next body of work required to advance the project to commercialisation is a feasibility study. It is expected that initially this study will be largely conducted under the Mining Act through Hybrid’s coincident mineral exploration licence EL4576. As the feasibility study progresses from the mining, coal processing, groundwater and environmental evaluations through to surface gasification facilities evaluations the work will progressively fall under the Petroleum and Geothermal Energy Act 2000.

3. REGULATED ACTIVITIES

Section 33(3)(a): a summary of the regulated activities conducted under the licence.

3.1. Drilling Operations

No drilling operations were conducted during the reporting period.

3.2. Geophysical Operations

No geophysical operations were conducted during the reporting period.

3.3. Geotechnical and Other Studies

No Geotechnical or Other Studies were undertaken during the reporting period.

3.4. Other Activities

During the previous year the Company commenced discussions with three potential joint venture partners however after further evaluation all three parties terminated their interest.

During the reporting period a new party commenced discussion and evaluation of the data. This evaluation was ongoing at the end of the reporting period.

4. COMPLIANCE ISSUES

4.1. Licence and Regulatory Compliance

Section 33(3)(b): a report for the year on compliance with the Act, these regulations, the licence and any relevant statements of environmental objectives.

Hybrid Energy Australia is not aware of any instances of non-compliance with this section during the reporting period.

No environmental incidents were reported for the permit year.

4.2. Rectification of Non-Compliance

Section 33(3)(c): a statement concerning any action to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, and to minimize the likelihood of the recurrence of any such non-compliance.

Hybrid Energy Australia is not aware of any instances of non-compliance during the permit year.

4.3. Management System Audits

Section 33(3) (d): 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 action that has, or will be, taken.

No management system audits were undertaken during the reporting period.

4.4. Report and Data Submissions

Section 33(3) (e): *a list of reports and data relevant to the operation of the Act generated by the licensee during the relevant licence year.*

Annual Report for PEL-127 Permit Year 1 submitted in November 2012.

4.5. Safety

Section 33(3) (f): *in relation to any incidents reported to the Minister under the Act and these regulations during the relevant licensing year-*

Section 33(3) (f) (i) *an overall assessment and analysis of the incidents, including the identification and analysis of trends that have emerged.*

Section 33(3) (f) (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 minimize the risk of recurrence of any such non-compliance.*

No reportable incidents occurred during the reporting period.

4.6. Threat Prevention

Section 33(2) (g): *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.*

There were no perceived threats, and no action taken during the reporting period.

4.7. Licence Conditions and Future Work Program

Section 33(2) (h): *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.*

The Kingston Lignite Project is at the feasibility stage of evaluation. Hybrid will continue discussions with potential joint venture partners. If an appropriate partner can be secured, Hybrid expects to proceed to an accelerated feasibility study.

5. EXPENDITURE STATEMENT

Section 33(4): an annual report must be accompanied by a statement of expenditure on regulated activities conducted under the licence for the relevant licence year.

See Appendix 1

Figure 1. Location map showing PEL 127, mineral exploration licence EL 4576 and the Kingston lignite deposit.

