



PEL Annual Report

Petroleum Exploration Licence: PEL 219

May 2008 – May 2009

- **Name of Licence:** PEL 219
- **Licence Holder:** Syngas Ltd (formerly GulfX Ltd)

Rev	Date	Created by	Reviewed by	Reason for revision
A	08.10.2009	M. Maddox	M. Gray	Draft for review
B	17.11.2009	M. Gray		Issue to PIRSA
C	18/3/2010	M.Gray		Resubmission

Syngas Limited

Annual Report

Licence Year 2008

May 2008 – May 2009

Petroleum Exploration Licence 219

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1 Introduction

Petroleum Exploration Licence (PEL) 219 was granted on 27 May 2008. The licence is located over a 191 square kilometre area overlying the Moorlands coal-bearing sedimentary basin. PEL 219 is located approximately 120 kilometres south-east of Adelaide in South Australia. This licence is held in conjunction with Mineral Exploration Licence (MEL) 3585 over the Moorlands coal deposit the activities and expenditures for which have been reported on separately to PIRSA.

A geological study of the area as well as wide ranging economic option assessments over the Moorlands Coal deposit, in terms of the economic viability of proceeding with coal-to-liquid, coal seam methane gas, coal mining and briquetting options were undertaken over the reporting period.

PEL 219 is held by Syngas as part of a portfolio of assets which includes MEL 3896. Both MEL 3896 and MEL 3585 lie across tertiary coals, deposited at the same time and in similar geological depositional environments. Some activities and expenditures completed and reported to PIRSA under MEL 3896 and MEL 3585 relate to the assessment of PEL 219. None of the costs for related works appear in this report (there is no duplication of reporting) however there relevant results are reported.

This report details the work conducted during Licence Year 1 of PEL 219 (2008-2013 inclusive), in accordance with Regulation 33 of the Petroleum Act 2000.

2 Permit Summary

For the duration of the licence year, licensees for PEL 219 were:

- *Syngas Limited, formerly GulfX Limited* 100% interest

The current work commitments (including all variations) associated with PEL 219 can be seen in Table 1.

Table 1 Current work commitments by licence year

Licence Year	Licence dates	Minimum Work Program
Year 1	May 2008 – May 2009	Geological & geophysical studies
Year 2	May 2009 – May 2010	Geological & geophysical studies
Year 3	May 2010 – May 2011	Geological & geophysical studies
Year 4	May 2011 – May 2012	Geological & geophysical studies
Year 5	May 2012 – May 2013	Drill one well

Licence Year 1 concluded on 26 May 2009. The following table displays the minimum work program (after all variations) and the actual work completed up until the end of the current licence period.

Table 2 Final work program and work completed (as of end of current reporting period) by licence year

Licence Year	Minimum Work Program	Actual Work
Year 1	Geological & geophysical studies	Geological study and Economic assessments, and related works, e.g. CSM testing.
Year 2	Geological & geophysical studies	
Year 3	Geological & geophysical studies	
Year 4	Geological & geophysical studies	
Year 5	Drill one well	

3 Regulated Activities

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

“a summary of the regulated activities conducted under the licence during the 2008-2009 year.”

This information is detailed below in designated sections.

Drilling and Related Activities

No regulated activities undertaken in the licence reporting period.

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/Flowline Construction and Operation

No regulated activities undertaken in the licence reporting period.

Preliminary Survey Activities

No regulated activities undertaken in the licence reporting period.

A drilling program has been developed that would further test the prospectivity in terms of additional coal potentiality. This program is shown in Figure 3 below.

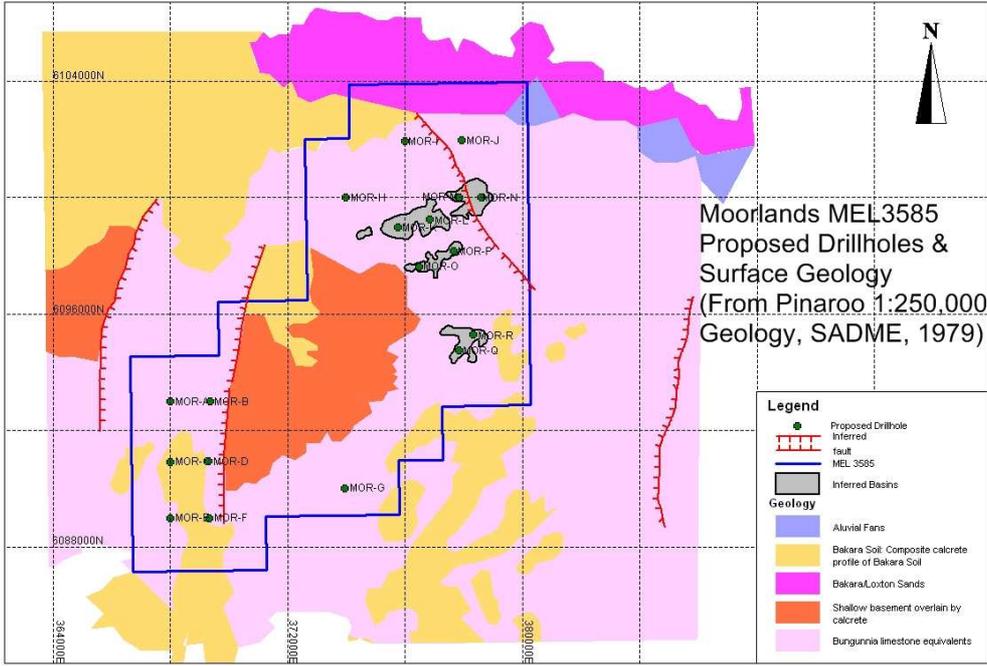


Figure 3: Moorlands Proposed Drill Holes and Surface Geology

Please note: The costs of this work (approximately \$20,000) have been reported in MEL 3585 reporting under the Minerals Act 1971, so are not repeated/duplicated here. However, this basic geological interpretation has been important as a starting point in the interpretation of PEL 219 for the planning of future works.

b. Economic Analysis

Preliminary economic assessments of a range of options relating to the Moorlands coal deposit were undertaken during the reporting period, namely:

- The potential for mining and transportation of Moorlands coal for use as supplementary feed to the Clinton Coal non-food Biomass-to-Liquid Project located approximately 240 km northwest of Moorlands. This option was found to be economically unviable.
- The potential for mining and drying and briquetting of the Moorlands coal for export. This option is still under assessment, across a range of different technologies. Material degradation on export is a key issue, as this presents fines with the potential for spontaneous combustion (the coal is understood to be highly reactive on drying). Furthermore, the salty nature of the coal makes it only suitable for blending with higher quality coals in small proportions. With salt levels understood to be at levels which disrupt conventional power plant boiler function.

c. Related Area Work e.g. CSM Testing

Fresh coal from cored drill holes on MEL 3896, i.e. tertiary Clinton Coal Measure coals were tested in terms of coal seam methane gas content. Refer Appendix 2 for the results. No methane gas was detected.

Based on the similarities in coal quality between Clinton and Moorlands (see Table 3 below) and similar depth from surface, similar cover etc similar results in terms of coal seam methane gas prospectivity might reasonably be expected at Moorlands.

Table 3 Comparison of MEL 3896 and MEL 3585 Lignite Quality

Deposit <i>(average results)</i>	Moisture [%]	Ash [%]	Volatile Matter [%]	Fixed Carbon [%]	Sulphur [%]	Gross Wet Calorific Value [MJ/kg]
Clinton	56.06	9.3	18.8	15.8	1.5	9.8
Moorlands ¹	51	16	19	13	4	17

The source coal is low rank and close to surface giving limited opportunity for gas generation, emission and trapping.

4 Compliance Issues

Licence and Regulatory Compliance

Overall, as the Company has not conducted on-ground activities during the period (limited activities to desktop work), the Company has complied with the licence, regulatory and Statement of Environmental Objectives requirements. The exceptions have been that the minimum direct work program expenditure has not been met. Although considerably greater costs for the geological work and relevant CSM testing were incurred during the period they have not been included herein, as they have been reported against MEL 3585 and MEL 3896. Furthermore, late submission of the annual report has taken place. Systems have been implemented to ensure timely future reporting.

Detailed information on the individual instances of non-compliance are provided below in designated sections.

Licence Non-Compliance

Table 4 List of licence non-compliances for current reporting year

No.	Stated Commitment	Reason for Non-Compliance	Rectification of Non-Compliance
Nil			

Regulatory Non-Compliance

Table 5 List of regulatory non-compliances for current reporting year

No.	Date	Activity	Details of Non-Compliance	Rectification of Non-Compliance
1.	26/07/2009	Submission of annual report	Report for Year 1 was not submitted by the due date	Updating of report tracking system completed.

¹ Source: Arithmetic mean of all past assayed drill core samples access from PIRSA's Open File database. Refer Appendix 1.

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Compliance with Statement of Environmental Objectives

Table 6 Compliance with Statement of Environmental Objectives

Objective	Assessment Criteria	Compliant/Non-Compliant (inc. Compliance statement)	Comments
N/A			

Management System Audits

There was no management system audits conducted during the current licence reporting period.

Report and Data Submissions

Table 7 List of report and data submissions during current licence reporting year

Description of Report/Data	Date Due	Date Submitted	Compliant / Non-Compliant
Annual Report	26/07/2009	20/11/2009	Compliant

Incidents

Table 8 List of incidents during current licence reporting year

Date of Incident	Activity	Incident Description	Type of Loss	Action to Rectify & Effectiveness of Action	Date Reported / Reported to Whom
Nil					

Threat Prevention

There were no risk assessments or HAZOPS undertaken during the reporting year.

Future Work Program

The Company is in the process of reviewing its detailed plan of work for Moorlands and budgets, within the existing submitted work program framework, in relation to other Company priorities.

5 Expenditure Statement

Please refer to Appendix 3 for the expenditure statement for the current reporting period.