

**RAWSON
RESOURCES LTD**

PEL 154

**Otway Basin
South Australia**

**ANNUAL REPORT
for
THIRD YEAR
of
TERM OF LICENCE**

30th June 2005 to 29th June 2006

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1.0 INTRODUCTION

Petroleum Exploration Licence No. 154 covers an area of 1,404 square kilometres of the onshore part of the Otway Basin in South Australia.

PEL 154 covers all of the previous PEL 75, which was cancelled in May 2002, and part of the previous PEL 66 and 72, which were relinquished in June 2001 and March 2002 respectively. PEL 154 comprises half of the St Clair Trough, the onshore part of the Rivoli and Geltwood Beach Troughs and part of the Tantanoola Trough, as shown in Figure 1. Primary exploration targets are sandstone reservoirs in the Early Cretaceous Crayfish Group, sealed by either the Laira Formation or distal lake deposits of the lower Eumeralla Formation. One well in the area (Rendelsham 1) had significant gas shows but lacked good reservoir.

This Report covers work undertaken by the Licencee during the third permit year, covering the period 30th June 2005 to 29th June 2006, inclusive, in accordance with the requirements of Section 33 of the Petroleum Regulations, 2002.

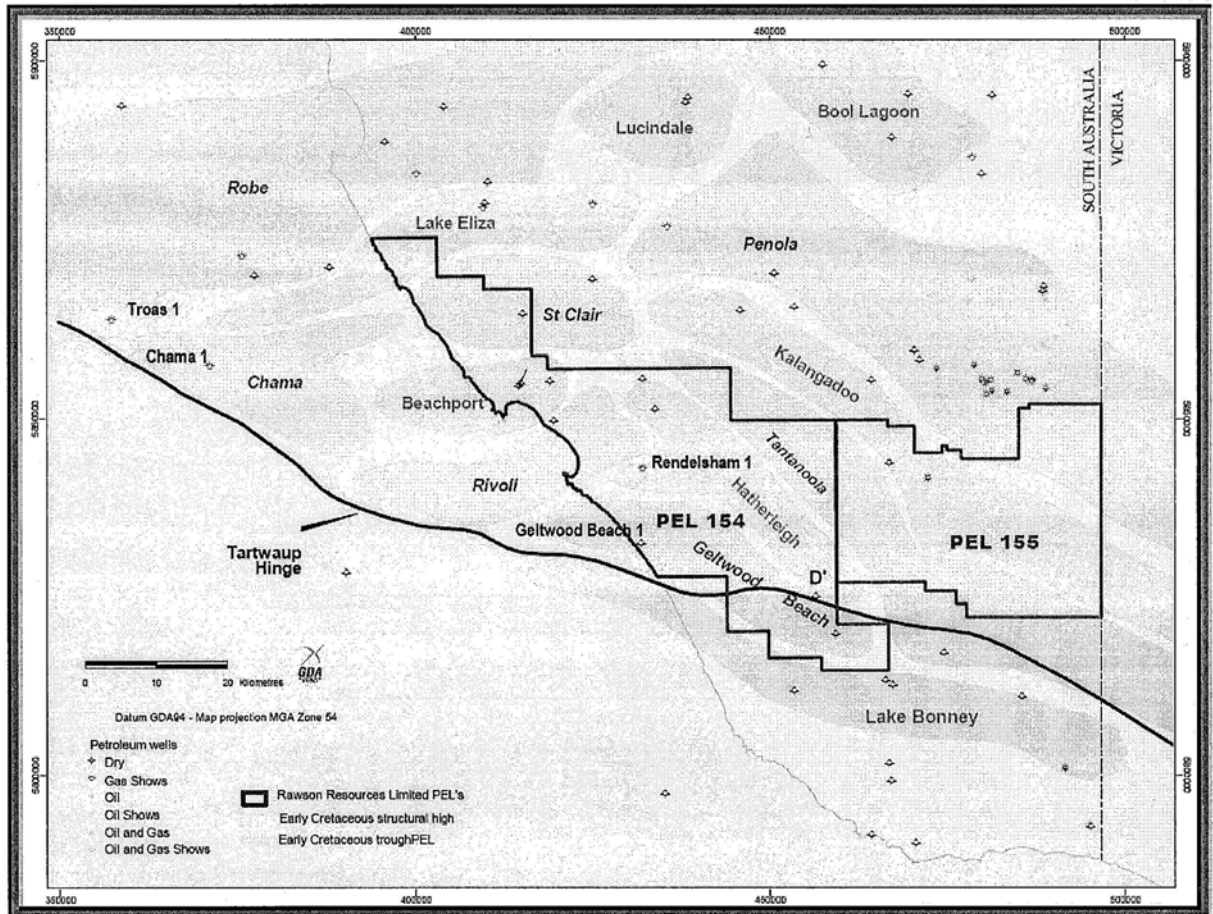


Figure 1. Location of PEL 154

2.0 LICENCE SUMMARY

The working interests in PEL 154 as at the end of the reporting period were:

Rawson Resources Limited: 100%.

The original minimum work requirements for PEL 154 at the date of grant (30th June 2003) were as follows:

<i>Year of Term of Licence</i>	<i>Minimum Work Requirements</i>	<i>Period</i>
One*	(i). Subsurface mapping using open file geological and geophysical data. (ii). Regional (Phase 1) soil-gas field survey over prospective leads and/or prospects	30 June 2003 - 29 June 2004
Two*	(i). Seismic attribute studies and fault geo-seal investigations for areas identified by Phase 1 soil-gas survey. (ii). Detail (phase 20 soil-gas field survey over prospective leads and/or prospects as highlighted by Phase 1 soil-gas survey.	30 June 2004 - 29 June 2005
Three*	(i). 100 km 2D seismic. (ii). 300 km seismic reprocessing. (ii). Fault seal, migration and reservoir investigations	30 June 2005 - 29 June 2006
Four	(i). One well. (ii). Review studies	30 June 2006 - 29 June 2007
Five	Renewal Studies	30 June 2007 - 29 June 2008

* Compulsory Program

A variation of licence conditions was made on 2nd July 2004. The minimum work requirements that were consequently applied to the licence were as follows:

Year of Term of Licence	Minimum Work Requirements
One	Geological and geophysical studies.
Two	Geological and geophysical studies; Soil-gas survey.
Three	100 km 2D seismic acquisition; 300 km seismic reprocessing; Fault seal, migration and reservoir investigations.
Four	One well; Review studies.
Five	Renewal studies.

A further variation of licence conditions was made on 5th January 2006. The minimum work requirements that were applied to the licence at that time are listed in the table immediately below. These conditions applied at the end of period covered by this report.

Year of Term of Licence	Minimum Work Requirements
One	Geological and geophysical studies.
Two	Geological and geophysical studies; Soil-gas survey.
Three	Acquire a selected 100 km of existing original raw 2D seismic data; Conduct WEA reprocessing and analysis of selected seismic data.
Four	One well; Review studies.
Five	Renewal studies.

On 26th July 2006 PEL 154 was suspended for the period from and including 24th July 2006 to 23rd January 2007. No regulated activities are planned to be carried out in the Licence area during the period of the suspension. The instrument of suspension redetermined the expiry date of Licence to be 30th December 2008. The

<i>Year of Term of Licence</i>	<i>Minimum Work Requirements</i>	<i>Actual Work</i>
One (30 June 2003 - 29 June 2004)	Geological and geophysical studies	Completed geological and geophysical studies.
Two (30 June 2004 - 29 June 2005)	Geological and geophysical studies; Soil-gas survey.	Completed geological and geophysical studies; Completed soil-gas survey.
Three (30 June 2005 - 29 June 2006)	Acquire a selected 100 km of existing original raw 2D seismic data; Conduct WEA reprocessing and analysis of selected seismic data.	Acquired approx. 114.26 km (including line tails), 109.45 km full fold of existing original raw 2D seismic data; Completed WEA reprocessing and analysis of selected seismic data.
Four (30 June 2006 - 30 December 2007)	One well; Review studies	
Five (31 December 2007) - 30 December 2008)	Renewal Studies	

* Compulsory Program

3.0 EXPLORATION ACTIVITIES

3.1 Drilling

No exploration drilling was conducted during the reporting period

3.2 Seismic Data Acquisition

No new seismic data acquisition was conducted during the reporting period.

3.3 Seismic Reprocessing

Selected seismic lines were processed and a number of attributes were extracted from the data, including WEA, by Apex Metalink in Houston, Texas, USA. Refer to the submitted report entitled "Apex Metalink, Inc., Rawson Resources, Block PEL 154 Seismic Processing Report; June, 2006" (*file name: Rawson PEL 154 Processing Report Final.pdf*). Although there were notable improvements in data quality compared to the originally processed seismic data, interpretive results of the extracted attributes were ambiguous with respect to extraction of direct hydrocarbon indicators over the leads investigated. It is planned to conduct additional seismic processing work during the fourth year of the term of the licence in an attempt to resolve such ambiguities

3.4 Geological and Geophysical Studies

Technical studies during the period were chiefly directed towards, firstly, selecting seismic data to analyse in detail, and secondly, to add to the understanding of the petroleum systems present within the Licence based on review of wells, hydrocarbon fields, 2D seismic data and 3D seismic data both onshore and offshore in Victorian, South Australian and Federal Government jurisdiction areas.

4.0 ADMINISTRATION

4.1 Regulatory Compliance

The Licencee has, to the best of its knowledge, complied with all the relevant conditions under the Petroleum Act 2000 and the Petroleum Regulations 2000.

As there were no Regulated Activities conducted during the quarter, no Compliance Report (detailing the Licencee's compliance with the 2000 Petroleum Act, its Regulations, the terms and conditions of the Licence, and the agreed Statements of Environmental Objectives governing field operations undertaken during the permit term) has been compiled.

4.2 Data and Report Submissions

A list of the items submitted during the report period is tabulated below:

<i>Document</i>	<i>Date Submitted</i>
PEL 154, Otway Basin, South Australia. Annual report for fourth year of term of licence, 30 th June 2005 to 29 th June 2006	30 th November 2006
Apex Metalink, Inc., Rawson Resources, Block PEL 154 Seismic Processing Report; June, 2006	30 th November 2006

4.3 Planned Exploration Program for Fourth Year of Term of Licence

Further processing of seismic data will continue during the fourth year of the term of the licence to extend the work conducted during the third year of the term of the licence. The work requirements for the fourth year of the Licence are the drilling of one well and the conduct of review studies. Review of existing 2D seismic data both onshore and offshore in Victorian, South Australian and Federal Government jurisdiction areas has shown that the existing 2D seismic grid is too widely spaced to delineate the fault-block compartments that typically control all the economic hydrocarbon accumulations within the basin. Furthermore, the orientation of individual fault-block boundaries has been demonstrated by a large number of workers in the basin to be critical to hydrocarbon trap integrity. Accordingly, it would be appropriate to consider acquiring new 2D or 3D seismic data within the Licence prior to drilling an exploration well to adequately define fault block geometry.

Review studies will focus on integration of any new seismic data with existing wells, hydrocarbon fields, 2D seismic data and 3D seismic data, both in and adjacent to the Licence and preparation for the selection of a drilling location.

5.0 EXPENDITURE STATEMENT

A summary of expenditure for the licence for the period 30th June 2005 to 29th June 2006 is presented in the following table.

Table 1. Statement of Expenditure in for third year of term of Licence

Activity	Amount
Drilling Activities	Commercial in Confidence
Seismic Acquisition Activities	
Seismic Processing	
Geological and Geophysical work	
Administration	
Total Expenditure	

Note: These accounts are compiled on an accruals basis but do not include amounts included in invoices yet to be received in relation to activities conducted during the third year of the term of the Licence.

