



AHAVA Welbourn Energy Pty Ltd

Annual Report

License Year 4

PEL 499

13 April 2010 – 12 April 2012

Adelaide, 12 June 2012

CONTENTS	Page No.
1. INTRODUCTION	3
2. PERMIT SUMMARY	3
3. REGULATED ACTIVITIES	5
Geological and Geophysical Studies	5
Drilling and Related Activities	6
Seismic Acquisition Program... 8	8
Seismic Data Processing and Reprocessing	8
Geochemical, Gravity, Magnetic and other surveys	9
4. COMPLIANCE ISSUES	9
License and Regulatory Compliance	9
License Non-Compliance	9
Regulatory Non-Compliance	9
Compliance with Statement of Environmental Objectives	10
Management System Audits	17
Report and Data Submissions	17
Incidents and Safety.....	19
Threat Prevention	19
Future Work Program	19
5. EXPENDITURE STATEMENT	20
APPENDIX 1 EXPENDITURE STATEMENT	
APPENDIX 2 GAS Audit Chart_ Ammaroodinna Seismic Survey	
APPENDIX 3 GAS Audit Chart_ Sarda Bluff Seismic Survey	

1. INTRODUCTION

Petroleum Exploration License (PEL) 499 was originally granted on 13 April 2007 as PEL 139. PEL 139 was then divided into PEL 499 (northern part) and PEL 500 (southern part) on 31 March 2009. PEL 499 assumed the work program commitments of PEL 139. The license is located in the Officer Basin, South Australia.

In accordance with Regulation 33 of the Petroleum and Geothermal Energy Regulations 2000, this report details the work conducted during License Year 4 of PEL 499 (13 April 2010 – 12 April 2012 inclusive).

2. PERMIT SUMMARY

At the commencement of the License Year 4, Ahava Energy Ltd (AHAVA) was the Operator for PEL 499 and the licensee for Petroleum Exploration License (PEL) 499 was:

Ahava Welbourn Energy Pty Ltd 100%

Due to initial difficulties in obtaining a suitable rig required for drilling operations, the work commitments of the License were suspended from 13 April 2010 to 31 March 2011 and the term of the License was extended from 01 April 2011 to 31 March 2012. The suspensions were temporarily uplifted during October-November 2010 and November-December 2011 for conducting additional infill seismic surveys. The expiry date for PEL 499 has been extended to 12 January 2014.

The minimum work program commitments associated with PEL 139 can be seen in Table 1 below.

Table 1 Work commitments by license year of PEL 139

License Year	License dates	Minimum Work Program
Year 1	13 April 2007 – 12 April 2008	Geological and Geophysical studies
Year 2	13 April 2008 – 12 April 2009	Drill one well
Year 3	13 April 2009 – 12 April 2010	Data Review
Year 4 & 5	13 April 2010 – 12 April 2011 13 April 2011 – 12 April 2012	Drill one well, or 200kms seismic

The Table 2 shows the minimum work program for PEL 499 after DMITRE's consideration and approval of the split. This table also shows the minimum work program for PEL 499 after incorporating the variation of the work program in Year 4 and Year 5.

Table 2 Work commitments by license year of PEL 499

License Year	License dates	Minimum Work Program
Year 1	13 April 2007 – 12 April 2008	Geological and Geophysical studies
Year 2	13 April 2008 – 12 April 2009	1300kms of 2D Seismic Acquisition
Year 3	13 April 2009 – 12 April 2010	Data Review
Year 4	13 April 2010 – 12 April 2011	Geological and Geophysical studies.
Year 5	13 April 2011 – 12 April 2012	Drill one well.

The variation of the minimum work program requirements for Year 4 and Year 5 in PEL 499 was approved by DMITRE on 12 April 2010.

The current work program commitments, along with the work conducted for four license years (to 12 April 2012) are shown in Table 3 below.

Table 3 Current work commitments and work completed by license year

License Year	Minimum Work Program	Actual Work
Year 1 13 April 2007 – 12 April 2008	Geological and Geophysical studies	<ul style="list-style-type: none"> - Geological and Geophysical studies. - Review of available PIRSA seismic data. - Preparation for seismic data acquisition.
Year 2 13 April 2008 – 12 April 2009	1300kms of 2D Seismic Acquisition	<ul style="list-style-type: none"> - Geological and Geophysical studies. - 1300kms of 2D Seismic Acquisition. - 1300kms of 2D Seismic Processing. - Preparation for exploration drilling program.

Year 3 13 April 2009 – 12 April 2010 Work Program commitment to be completed by 12 Jan 2011	Data Review	- Geological and Geophysical studies. - Continued processing 1300kms of Seismic. - 63kms of additional 2D Seismic Acquisition. - 63kms of 2D Seismic Processing. - Seismic Interpretation and Mapping. - Select drilling location. - Commenced Welbourn Alpha (WA)-1 drilling (Year 5 work commitment). Drilled 12-1/4" hole to 585m (end of report period).
Year 4 13 April 2010 – 12 January 2011 WP commitment to be completed by 12 Jan 2012	Geological and Geophysical Studies	- Welbourn Alpha-1 (WA-1) well drilling was completed, Total Depth is 1,983m (satisfy Year 5 work commitment). - 53.4kms of infill 2D Seismic Acquisition. - 53.4kms of 2D Seismic Processing. - Seismic Interpretation and mapping.
Term extended 13 January 2011- 12 January 2013		- 84.9kms of infill 2D Seismic Acquisition. - 84.9kms of 2D Seismic Processing. - Seismic Interpretation and mapping.
Year 5 13 January 2013- 12 January 2014	Drill one well	- Work commitment fulfilled.

AHAVA has acquired a total of 1500kms of 2D seismic and drilled one well, satisfying the Minimum Work Requirements for the full 5 Year term of PEL 499.

3. REGULATED ACTIVITIES

Geological and Geophysical Studies

Technical work conducted during the License Year 4 was the continuation of the previous year's regional geological and geophysical evaluation, well logs analysis, well core studies. Outcrop samples of Pindyin Sandstones were collected from the northern part of PEL 499. These outcrop samples have been sent to the laboratories for Petrographic, Routine core Analyses, XRD and Age Dating analyses.

Additional infill seismic program consisted of 53.4 kilometers was designed and recorded in Manya-5 area in eastern part of PEL 499.

Data processing, interpretation and mapping of 53.4 kilometers new seismic data were completed. The results had upgraded the existing lead to prospect level.

Additional infill seismic acquisition consisted of 84 kilometers was conducted in eastern and northern parts of PEL 499.

Data processing, interpretation and mapping of 84.9 kilometers infill seismic data were completed. The results had upgraded them to drillable prospects.

Drilling and Related Activities

The drilling campaign in PEL 499 continued from the License 3 into the License Year 4. The well was completed during the License Year 4 and it satisfies the work commitment obligation for License Year 5.

AHAVA contracted Hunt Energy to provide a drilling rig for Welbourn Alpha-1 (WA-1) well. The well was spudded on 24 March 2010 using Hunt Rig No. 3, which was mobilized from Tasmania. During the License Year 4, drilling 12-1/4" hole was continued from 585m, unfortunately, the proposed Total Depth of 2,400m was not reached and the drilling was terminated early at shallower depth of 1983m on 24 May 2010, due to operational problems. The well was plugged and suspended and Hunt Rig No. 3 was then released on 28 May 2010.

The drilling of Welbourn Alpha-1 (WA-1) well was continued as follows:

- 12-1/4" hole was drilled from 585m to 902m with hole deviation started to increase.
- Wireline logs were run, due to the lithology being different from prognosis and hole deviation was significantly increased.
- Drilling was continued to 1,110m.
- Wireline logs were run.
- 9-5/8" intermediate casing was run and cemented with shoe set at 1,108m.
- 8-1/2" hole was then drilled and unable to reduce hole deviation (high hole deviation up to 24.5° at 1,424m was measured). Drilling continued

to 1,841m and high torque was noted and it was found that all three bit cones were left in the hole.

- A junk basket was run in the hole and recovered 0.27kgs and 1.4kgs of junk.
- Another run with the junk sub failed to recover any junk.
- Drilling was continued to 1,861m where high torque was again noted and when pulled out of the hole, it was found that a part of the junk sub was missing.
- Drilling was continued to 1,983m and high torque was again noted and when pulled out of hole, all the three bit cones were found to be missing.
- Due to the hole deviation problems, very slow drilling and junk left in the hole, it was decided to terminate drilling at this depth.
- Wireline logs were run.
- The well was plugged and suspended and the rig was released on 28 May 2010.

The following rehabilitation works were conducted at Welbourn Alpha-1 site:

- Removed Liner from turkey nest.
- Backfilled turkey nest.
- Backfilled sum pit.
- Backfilled flare pit.
- Removed all rubbish and containers from wellsite.
- removed the white gravel from the centre of the camp area
- Deep ripped lease site and camp site
- Erected signage at wellhead
- Erected signage on roadway into lease.
- Erected fence around wellhead.
- Spread seed rich soil around lease site and camp site.
- Scarified access road to wellsite
- Fertilised and tilled the area with a rotary hoe where there was mud pit
- Removed all ruby dock from around the site

Rehabilitation Work at Welbourn Alpha-1 well completed on 15/11/11.

There were no Lost Time Injuries or Medical Treatment Injuries associated with drilling activities.

Seismic Data Acquisition Program

Additional infill 2D seismic acquisition of 2D from Ammaroodinna survey consisted of 53.4 kilometers in the eastern part of PEL 499 was completed during the License Year 4. The results indicated that the existing lead could be upgraded to prospect level.

- Survey Name : Ammaroodinna
- Contractor : Terrex
- Type of Survey : 2D Seismic
- Start Date : 1 October 2010
- Completion Date : 9 October 2010
- Line length : 53.4 kilometers
- Number of lines : 4 Lines

Additional infill 2D seismic from Sarda Bluff survey consisted of 84.9 kilometers in eastern and northern parts of PEL 499 was also completed during the License Year 4. The results have confirmed that a number of prospects could be upgraded to drillable prospects.

- Survey Name : Sarda Bluff
- Contractor : Terrex
- Type of Survey : 2D Seismic
- Start Date : 01 December 2011
- Completion Date : 13 December 2011
- Line length : 84.9 kilometers
- Number of lines : 7 Lines

Seismic Data Processing and Reprocessing Program

Magnetic tapes of 53.4 kilometers of 2D seismic data from the Ammaroodinna survey were processed by Velseis in Brisbane during License Year 4.

- Survey Name : Ammaroodinna
- Contractor : Velseis
- Start Date : 20 October 2010
- Completion Date : 29 November 2010
- Line length : 53.4 kilometers

Magnetic tapes of 84.9 kilometers of 2D seismic data from the Sarda Bluff survey were also processed by Velseis in Brisbane during License Year 4.

- Survey Name : Sarda Bluff
- Contractor : Velseis
- Start Date : 19 December 2011
- Completion Date : 29 February 2012
- Line length : 53.4 kilometers

No seismic re-processing program was conducted in the License reporting period.

Geochemical, Gravity, Magnetic and other surveys

No Geochemical, Gravity or Magnetic and other surveys undertaken in the license reporting period.

4. COMPLIANCE ISSUES

License and Regulatory Compliance

There were no License and Regulatory Compliance issues that AHAVA was aware of during the License Year 4.

On 23/11/11 AHAVA was granted a temporary cessation of suspension from 26/11/11 to conduct the Sarda Bluff Seismic Survey. The suspension was reactivated on 16/12/11.

License Non-Compliance

AHAVA has demonstrated in Section 2 (Permit Summary) that the license is in compliance with the work program commitments. No license non-compliances have been identified.

Regulatory Non-Compliance

To the best of its knowledge, the licensee was not aware of any Non-Compliances issues relating to requirements under the Petroleum and Geothermal Energy Act 2000 or associated regulations.

Compliance with Statement of Environmental Objectives

Seismic activities were safely conducted and in compliance with the requirements of the Arckaringa Basin Geophysical Operations Statement of Environmental Objectives used by SAPEX and the Arckaringa Basin Geophysical Operations Environmental Impact Report. An Environmental Assessment was also commissioned by AHAVA to confirm that these documents were appropriate to PEL 499.

On 23/08/10 AHAVA received a Potential Non-Compliance letter from DMITRE. A number of environmental issues were identified.

On 29/10/10 AHAVA received a Notice of Non-Compliance: Inappropriate Disposal of Drilling Fluids at WA-1 wellsite. This is a breach of Objectives 4 and 10 of the SEO.

**Table 4 Arkaroola Basin Geophysical Operations,
Statement of Environmental Objectives, July 2008**

Environmental Objective	Assessment Criteria	Compliant/Non-Compliant (incl. Compliance Statement)	Comments
1. Avoid disturbance to sites of cultural and heritage significance.	A cultural heritage survey (or Work Area Clearance - WAC) has been undertaken of the proposed survey line locations and access tracks prior to commencement of survey. No disturbance to sites of Aboriginal or non- indigenous heritage significance	Compliant	AHAVA Energy has an agreement with the Native Title Claimant group which specifies the requirements for scouting proposed seismic lines to identify and avoid areas of heritage value and archaeological significance. Joint site visits were carried out with representatives from the Native Title Claimant group. Proposed line locations and access routes were agreed and given heritage clearance. Areas of significance were recorded and marked as exclusion zones.
2. Minimize disturbance to native vegetation and native fauna	<u>Campsites and survey line preparation</u> The attainment of either 0 +1 or +2 GAS criteria for 'Impact on vegetation' objective listed in Appendix 2. No mature trees are removed. No off-line or off-access driving. <u>Fuel and Chemical Storage and Management</u> No spills/leaks outside areas designed to contain them. Fire Danger Season restrictions and education <u>Waste Management</u> Refer Objective 9. Operations in Tallaringa Conservation Park Impact on environmental values of Tallaringa Conservation Park is minimized. DEH requirements for notification and operation in Tallaringa CP are met.	Compliant	GAS Audits were taken along the 53.4kms and 84.9kms of survey lines recorded in the area. Vegetation clearance was minimized as much as possible. No spills were recorded Appropriate spill response equipment is available on site. Appropriate fire-fighting equipment is readily available. Appropriate personnel are readily available and suitably informed to action response. N/A N/A N/A N/A
3. Avoid the introduction or spread of exotic species and implement control measures as necessary	Weeds or feral animals are not introduced into, or spread, in operational areas.	Compliant	Machinery and vehicles used for survey, line preparation and recording were inspected and washed down prior to commencing work in the area.

4. Minimize disturbance and avoid contamination to soil resources	<p><u>Campsite and survey line preparation</u> Attainment of 0, +1 or +2 GAS criteria for 'Disturbance to land surface' objective, as listed in Appendix 2.</p> <p><u>Fuel and Chemical Storage and Management</u> No spills/leaks outside areas designed to contain them.</p> <p><u>Waste Management</u> Refer to Objective 9.</p>	Compliant	<p>The Disturbance to Land Surface Impact of 24 GAS audits taken, there are 5 at GAS score of "-1" and 0 at GAS score of "-2" (Ammaroodinna Seismic) and 42 GAS audits taken, there are 9 at GAS score of "-1" and 0 at GAS score of "-2" (Sarda Bluff Seismic). Rehabilitation has been conducted.</p> <p>There were no incidents of soil contamination arising from the survey activities Appropriate spill response equipment is available on site.</p> <p>N/A</p>
5. Minimize disturbance to drainage patterns and avoid contamination of surface waters and shallow groundwater resources	<p><u>Campsite and survey line preparation.</u> The attainment of 0, +1 or +2 GAS criteria for 'disturbance to land surface' objective listed in Appendix 2(*) No uncontrolled flows to surface from aquifers intersected in upholes/shallow boreholes. There is no unnecessary interference with natural drainage features.</p> <p><u>Fuel and Chemical Storage and Management</u> No spills occur outside of areas designed to contain them.</p>	Compliant	<p>Particular care was taken to ensure minimal disturbance of the banks of the channels at the points where the access lines entered and exited the channels.</p> <p>No upholes drilled in the survey area.</p> <p>No drainage channels blocked that would impede potential inflows.</p> <p>No spills were recorded. Appropriate spill response equipment is available on site.</p>
6. Minimize risks to the safety of the public, employees and other third parties	No injuries to the public or third parties as a result of seismic activities.	Compliant	The main threat to the safety of the public, employees and third parties is associated with the movement of vehicles and the localized increase in traffic load for the duration of the survey. All reasonable steps were taken to prevent unauthorized access to the survey area and warning signs were appropriately located.

7. Minimize disturbance to livestock, pastoral infrastructure and landholders	<p>The attainment of 0, +1 or +2 GAS criteria for 'Impact on infrastructure' objective listed in Appendix 2.</p> <p>No adverse impact on livestock as a result of activities.</p> <p>No reasonable concerns raised by stakeholders are left unresolved.</p> <p>Compliance with relevant sections of the <i>Petroleum Act 2000</i> in relation to notification of landholders.</p>	Compliant	<p>AHAVA Energy maintained regular contact with the Pastoral Lessees prior to and while undertaking survey operations. AHAVA Energy has established good working relationship with these 3 families.</p> <p>No objections have been raised by the Pastoralist Lessee in relation to these activities.</p> <p>Compliant, letters sent with more than 21 days.</p>
8. Minimize the visual impact of operations	<p>The attainment of 0, +1 or +2 GAS criteria for 'visual impact' objective listed in Appendix 2(*)).</p> <p><u>Campsite and survey line preparation</u> Proposed survey lines and campsites have been appropriately located and prepared to minimize the visual impact.</p>	Compliant	<p>GAS Audits were taken at 24 and 42 locations along the survey lines recorded in Ammaroodinna and Sarda Bluff Seismic Surveys. In most cases 52 the Visual Impact was GAS = 0 & 15 was GAS = +1 Doglegs applied, vegetation weaved to minimize visual impact from trafficked tourist roads.</p>
9. Minimize the impact on the environment of waste handling and disposal.	<p>0, +1 or +2 GAS criteria are attained for 'Pollution or litter' objective listed in Appendix 2. Wastewater disposal and spills have been managed appropriately.</p>	Compliant	<p>GAS Audits were taken at 24 and 42 locations along the survey lines recorded in Ammaroodinna and Sarda Bluff Seismic Surveys. Pollution or Litter on all lines was recorded at GAS either 0, +1 or +2 (Majority in +1). There was no evidence of pollution or litters were found.</p>
10. Remediate and rehabilitate operational areas to agreed standards.	<p>The attainment of 0, +1 or +2 GAS criteria for</p> <ul style="list-style-type: none"> - 'Visual impact' - 'Impact on infrastructure' - 'uphole site restoration' - 'disturbance to land surface' <p>Measures/goals listed in Appendix 2(*)).</p>	Compliant	<p>Objectives 2, 4, 8, 9, please refer to Appendix 2 and Appendix 3 – GAS Audit Chart of this Annual Report.</p>

(*) Arckaringa Basin - Statement of Environment Objectives (October 2007)

Drilling activities were conducted to meet the requirements of the Arckaringa Basin Exploration Drilling Operations Statement of Environmental Objectives used by SAPEX and the Arckaringa Basin Exploration Drilling Operations Environmental Impact Report. An Environmental Assessment was also commissioned by AHAVA to confirm that these documents were appropriate to PEL 499.

Table 5 Arckaringa Basin Exploration Drilling Operations, Statement of Environmental Objectives

Environmental Objective	Assessment Criteria	Compliant/Non-Compliant (Incl. Compliance Statement)	Comments
1. Avoid disturbance to sites of Aboriginal and non-indigenous heritage significance.	A cultural heritage survey (or Work Area Clearance - WAC) has been undertaken of the proposed wellsite locations and access tracks prior to commencement of survey. Any sites identified have been flagged and subsequently avoided. A procedure is in place for the appropriate response to any sites discovered during survey operations	Compliant.	WAC were carried out on all actual or potential drilling locations. No sites of significance were identified on the proposed locations.
2. Minimise disturbance to native vegetation and native fauna.	<u>Well Lease and Access Track Construction</u> Any sites of rare, vulnerable and endangered flora and fauna have been identified, flagged and subsequently avoided. The attainment of either 0, +1 or +2 GAS criteria for 'Minimise disturbance of vegetation' objective for wellsite construction and for 'Minimise impacts on vegetation' objective for borrow pit construction and restoration, as listed in Appendix 2. The attainment of 0, +1 or +2 GAS criteria for 'Re-establish natural vegetation on abandoned wellsites and access tracks' objective listed in Appendix 2. <u>Drilling and Production Testing Activities</u> No fires during drilling and production testing activities. <u>Fuel and Chemical Storage and Handling</u> Refer to Assessment Criteria for Objective 4. <u>Waste Management</u> Refer to Assessment Criteria for Objective 10. <u>Fire Danger Season restrictions and education</u> All personnel are fully informed on the fire danger season and associated restrictions	Compliant.	An environmental assessment of the site was carried out prior to operations commencing. Existing borrow pits used. No fires reported Fuel & Chemical stored in bonded area
3. Prevent the introduction	Weeds are not introduced into, or	Compliant	Rig and rig equipment

	or spread of weeds and undertake control measures where required.	spread in, operational areas as a consequence of activities	washed down prior to departing Tasmania. However presence of Ruby Dock growing around the edges of the sump
4. Minimise impacts to soil.	<p><u>Wellsite and Access Track Construction</u> Attainment of 0, +1 or +2 GAS criteria for 'Minimise impacts to soil' objective.</p> <p>No construction activities are carried out on salt lakes, wetlands or steep breakaway/tableland/stony hills landforms (as defined in the EIR).</p> <p><u>Drilling and Production Testing</u> No soil contamination as a result of drilling and production testing activities.</p> <p><u>Fuel and Chemical Storage and Handling</u> No spills/leaks outside areas designed to contain them.</p> <p>Appropriate spill response equipment is available on site</p> <p><u>Waste Management</u> Refer to Assessment Criteria for Objective 10.</p>	Non Compliant	Disposal of Drilling Fluids / mud onto the ground. Numerous deep vehicle tracks on the ground south of the well lease were presence. Rehabilitation to achieve Objective 4 has been carried out to eliminate the evidence
5. Minimise loss of reservoir and aquifer pressures and avoid aquifer contamination.	<p>No aquifer contamination as a result of drilling, completion or production testing activities.</p> <p><u>Drilling and Completion Activities</u> No uncontrolled flow to surface (i.e. blow out).</p> <p>Sufficient barriers exist in casing annulus to prevent crossflow between separate aquifers or hydrocarbon reservoirs.</p> <p><u>Production Testing and Well Abandonment Activities</u> No crossflow behind casing between aquifers, and between aquifers and hydrocarbon reservoirs unless approved by the Department of Water, Land and Biodiversity Conservation.</p>	Compliant	No flow of fluids to surface reported. Surface casing cemented back to surface.
6. Minimize disturbance to drainage patterns and avoid contamination of surface waters and shallow groundwater resources.	<p><u>Well Lease and Access Track Construction and Restoration</u> Wellsites and access tracks are located to maintain pre-existing water flows (i.e. channel contours are maintained on floodplains and at creek crossings).</p> <p>The attainment of 0, +1 or +2 GAS criteria for 'Minimise disturbance to drainage patterns' objective listed in Appendix 2.</p>	Compliant	An Environmental assessment was made of lease and access road. Used existing seismic lines and roads.

	<p><u>Drilling and Production Testing Activities</u></p> <p>No contamination of surface waters and shallow groundwater resources as a result of drilling or production testing activities.</p> <p><u>Fuel and Chemical Storage and Handling</u></p> <p>No spills/leaks outside areas designed to contain them.</p> <p>Appropriate spill response equipment is available on site.</p>		<p>No contamination of surface water or shallow groundwater reported.</p> <p>All fuel stored in bonded areas</p>
7. Minimise risks to the safety of the public, employees and other third parties.	No injuries to the public or third parties as a result of drilling, completion and production testing activities.	Compliant	No LTI's or MTI's occurred as a result of drilling activities.
8. Minimise disturbance to stakeholders and associated infrastructure.	No adverse impact on livestock as a result of activities. No reasonable concerns raised by stakeholders are left unresolved.	Compliant	No injuries or adverse effects to livestock reported. Stakeholders consulted and no issues reported.
9. Minimise visual impact.	The attainment of 0, +1 or +2 GAS criteria for 'Minimise visual impact' objectives for wellsite restoration and borrow pit construction and rehabilitation	Non Compliant	Wellsite and borrow pits locations had been properly restored.
10. Minimise the impact on the environment of waste handling disposal.	No soil contamination as a result of waste storage and disposal With the exception of drilling fluids, drill cuttings and other fluids disposed during well clean-up, putrescible domestic wastes (e.g. food waste, paper) and sewage and grey water, all wastes to be disposed of at an EPA licensed facility in accordance with EPA Licence conditions. Attainment of GAS criteria for 'Site to be left in a clean, tidy and safe condition' objective for wellsite restoration and borrow pit rehabilitation as listed in Appendix 2.	Non Compliant	Disposal of Drilling Fluids / mud onto the ground. Numerous deep vehicle tracks on the ground south of the well lease were presence. Rehabilitation to achieve Objective 4 has been carried out to eliminate the evidence
11. Remediate and rehabilitate operational areas to agreed standards	<p><u>Well Lease and Access Track Restoration</u></p> <p>The attainment of 0, +1 or +2 GAS criteria for 'Minimise visual impact', 'Re-establish natural vegetation on abandoned wellsites and access tracks' and 'Site to be left in a clean, tidy and safe condition' objectives listed in Appendix 2.</p> <p><u>Borrow Pit Restoration</u></p> <p>The attainment of 0, +1 or +2 GAS criteria for 'Minimise impacts on vegetation', 'Minimise impact on soil', 'Minimise visual impacts' and 'Site to be left in a clean and tidy condition objectives listed in Appendix 2.</p>	Compliant	WA-1 well lease site, camp site, access road and borrow pits had been fully rehabilitated

Management System Audits

Drilling Department conducted self-assessment of its system and procedures and some areas for improvement identified. A third party Audit was also carried out of AHAVA's management systems and it was concluded that while there were sufficient systems in place to manage drilling operations there was room for improvement in other areas.

A third party audit was carried out of the Hunt Energy Safety Management and Maintenance systems and these were found to be satisfactory with considerable improvement over previous audits.

A third party inspection, Moduspec, was also carried out and completed on the rig prior to spudding the well to confirm that all was "Fit for Purpose".

Report and Data Submissions

List of all reports and data which have been submitted to DMITRE are listed in the Table 6 below.

Table 6 List of Report and data submissions during current license reporting year

Description of Report/Data	Date Due	Date Submitted	Compliant / Non-Compliant
Geophysics			
Ammaroodinna SS			
1. Activity Notification Report Part 1	N/A	12 Jul 2010	Compliant
2. Activity Notification Report Part 2	N/A	26 Aug 2010	Compliant
3. Ammaroodinna SS Geophysical Survey Data	9 Oct 2011	5 Oct 2011	Compliant
4. Ammaroodinna SS Field Supervision (Bird Dog) Report	9 Oct 2011	5 Oct 2011	Compliant
5. Ammaroodinna DSS Surveyors Report	9 Oct 2011	5 Oct 2011	Compliant
6. Ammaroodinna SS Processing Report	9 Dec 2011	5 Oct 2011	Compliant
7. Ammaroodinna SS Environmental Audit Report	9 Oct 2011	5 Oct 2011	Compliant
8. Ammaroodinna SS Geophysical Progress Report	Weekly		Compliant
9. Ammaroodinna SS Seismic Acquisition and Interpretation Report	9 Oct 2011	9 Oct 2011	Compliant

Sarda Bluff SS				
1. Activity Notification Report Sarda Bluff Part 1.	N/A	15 Aug 2011	Compliant	
2. Activity Notification Report Sarda Bluff Part 2.	N/A	26 Aug 2011	Compliant	
3. Sarda Bluff SS Geophysical Survey Data.	13 Dec 2012	5 Jun 2012	Compliant	
4. Sarda Bluff SS Field Supervision (Bird Dog) Report.	13 Dec 2012	5 Jun 2012	Compliant	
5. Sarda Bluff Terrex Spatial Surveyors Report	13 Dec 2012	5 Jun 2012	Compliant	
6. Sarda Bluff SS Processing Report	15 Feb 2012	4 Jun 2012	Compliant	
7. Sarda Bluff SS Environmental Audit Report	13 Dec 2012	5 Jun 2012	Compliant	
8. Sarda Bluff SS Geophysical Progress Report	Weekly		Compliant	
9. Sarda Bluff SS Seismic Acquisition Report	13 Dec 2012			
10. Sarda Bluff SS Seismic Interpretation Report	15 Feb 2013			
Welbourn Hill SS				
11. Welbourn Hill Seismic Acquisition and Interpretation Report	30 Sep 2010	19 Sep 2010	Compliant	
Trainor Hill SS				
12. Trainor Hill Seismic Acquisition and Interpretation Report	20 Dec 2010	19 Nov 2010	Compliant	
Drilling				
1. Welbourn Alpha-1 Daily Drilling Reports 46 - 91	Daily	13 Apr-28 May 10	Compliant	
2. Welbourn Alpha-1 Mud Reports 20 - 64	Daily	13 Apr-26 May 10	Compliant	
3. Welbourn Alpha-1 Daily Geological Reports 20 - 63	Daily	13 Apr-24 May 10	Compliant	
4. Welbourn Alpha-1 Mud Log	Daily	13 Apr-24 May 10	Compliant	
5. Welbourn Alpha-1 Drilling Data Log	Daily	13 Apr-24 May 10	Compliant	
6. Welbourn Alpha-1 Intermediate Hole-1 Wireline Log	N/A	18 Apr 10	Compliant	
7. Welbourn Alpha-1 Intermediate Hole-2 Wireline Log	N/A	23 Apr 10	Compliant	
8. Welbourn Alpha-1 TD Hole Wireline Log.	N/A	26 May 10	Compliant	

General			
1. Well Completion Report Welbourn Alpha-1	28 Nov 2010	26 Nov 2010	Compliant
2. Acid Etching and Solubility Test Report of Byilkaoora-2 and Munta-1 wells.	N/A	19 Apr 2011	Non-Compliant
3. Annual Report Year 4	12 Jun 2012	12 Jun 2012	Compliant
Samples			
1. Welbourn Alpha-1 Cutting samples and Sidewall Cores	28 Nov 2010	7 Sep 2010	Compliant

Incidents and Safety

No incidents occurred during seismic acquisition and drilling operations.

There was no lost time or medical treatment injuries were recorded during seismic acquisition and drilling operations.

Threat Prevention

No perceived threats and no action taken during the reporting period.

Future Work Program

- DMITRE has approved that the minimum work commitments for License Year 4 and Year 5 will be Geological and Geophysical studies and drilling of One Well, respectively.
- However upon the completion of the new seismic data review in License Year 2, it was decided that the exploration well drilling was conducting advanced in Licenses Year 3 and Year 4, well ahead of the original Year 5 work commitment.
- The work commitments of the License were suspended for nine months from 13 April 2010 to 12 January 2011 and the term of the License was extended to 12 January 2013. After 12 January 2013, PEL will be automatically reinstated. The expiry date for PEL 499 has been extended to 12 January 2014.
- No further future work program will be conducted at the moment, since AHAVA's exploration strategy is focusing on other PELs.

5. EXPENDITURE STATEMENT

Please refer to Appendix 1 for the Expenditure Statement of License Year 4 for the current reporting period.

The scores were assigned by GAS category as follows:

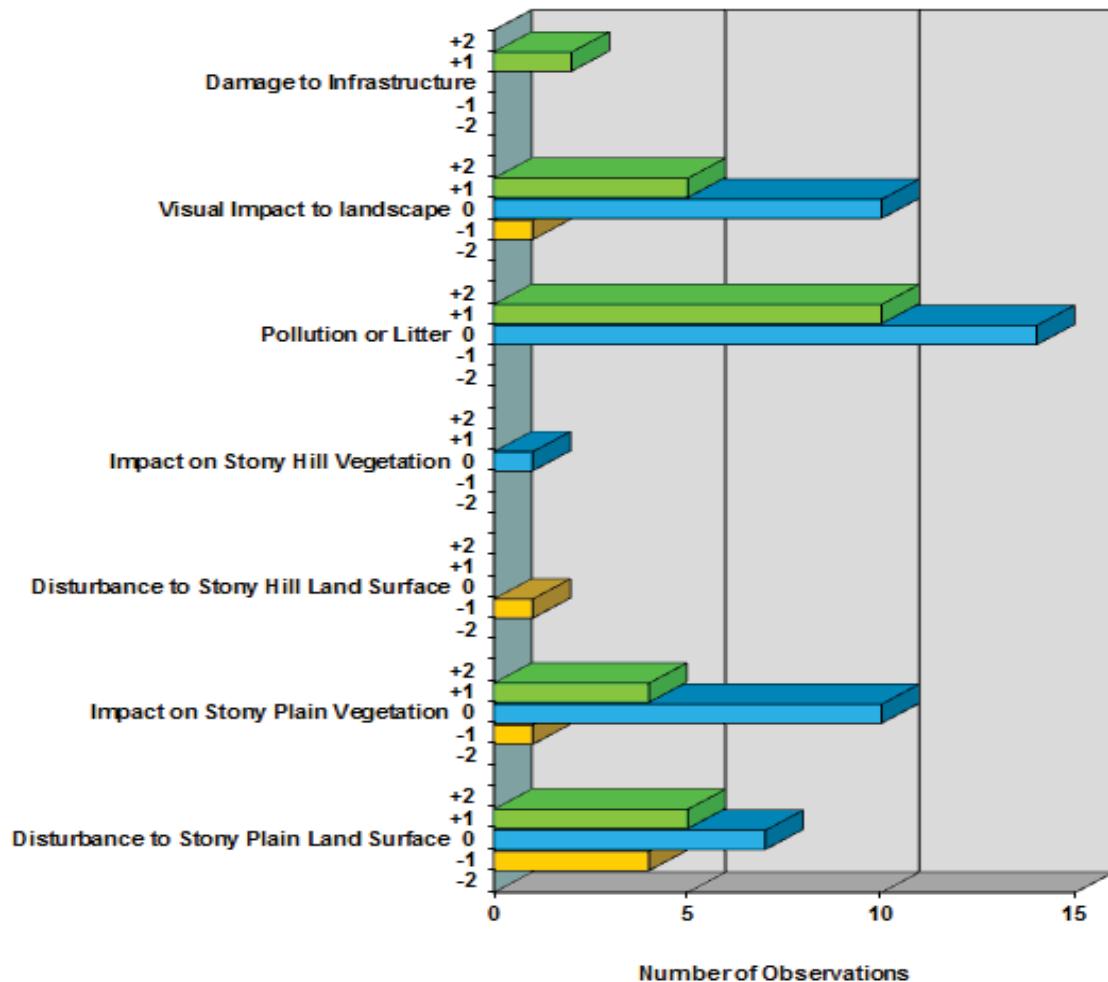
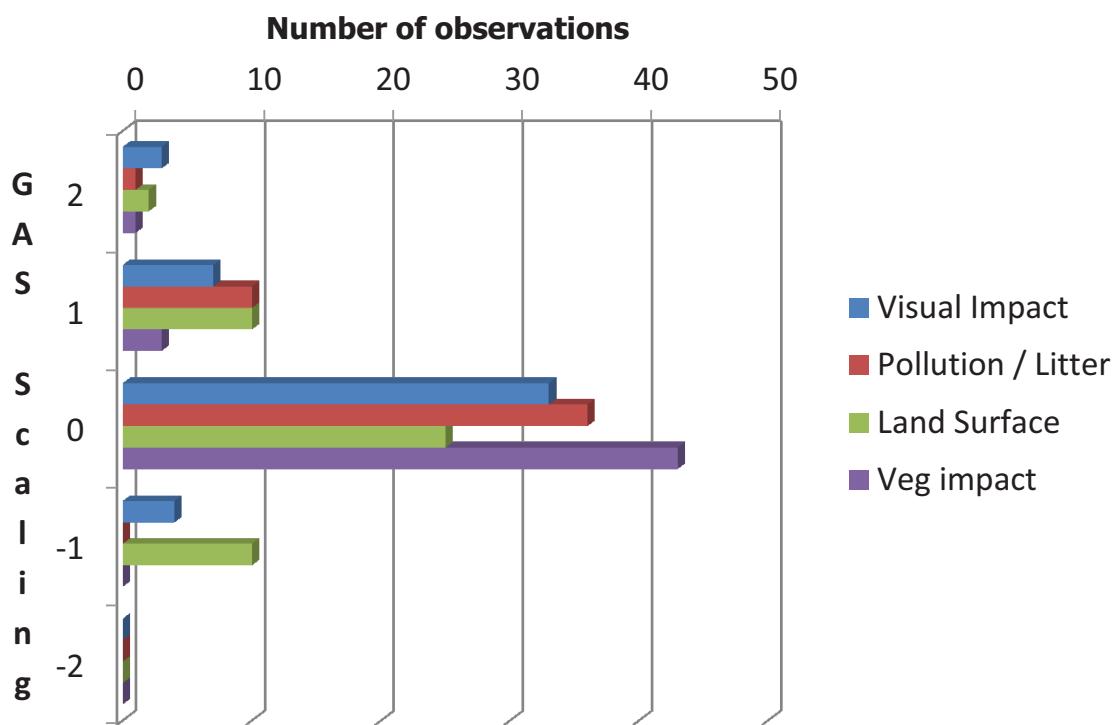


Figure 5: GAS Audit results of the Ahava Energy 2010 Ammaroodina 2D - Manya Seismic Survey

2.4 GAS Audit lines

The following points were visited and photographed to assess the appropriate Goal Attainment Scaling for each location.

Line / Access	Observations
AHV11MA-01	6
AHV11MA-02	2
AHV11WO-03	4
AHV11WO-04	6
AHV1104-EX	9
Access tracks	15
Total	42

**Fig.7. Total GAS observations**