

Swan & Jenkins Pty Ltd

Annual Report

07 October 2008 – 06 October 2009

Petroleum Exploration Licence 423

09 December 2010

CONTENTS

- 1 INTRODUCTION..... 3
- 2 PERMIT SUMMARY..... 4
- 3 REGULATED ACTIVITIES..... 5
 - Drilling and Related Activities 5
 - Seismic Data Acquisition 5
 - Seismic Data Processing and Reprocessing..... 5
 - Geochemical, Gravity, Magnetic and other surveys 5
 - Production and Processing..... 5
 - Pipeline/Flowline Construction and Operation..... 5
 - Preliminary Survey Activities 5
 - Activities Completed for the Period: 5
- 4 COMPLIANCE ISSUES..... 6
 - Licence and Regulatory Compliance 6
 - Compliance with Statement of Environmental Objectives 6
 - Management System Audits..... 6
 - Report and Data Submissions..... 7
 - Incidents 8
 - Threat Prevention 9
 - Future Work Program 9
- 5 EXPENDITURE STATEMENT 9

- APPENDIX 1 EXPENDITURE STATEMENT 10

1 Introduction

Petroleum Exploration Licence (PEL) 423 was granted on 07 October 2008 for a period of 5 years, expiring 06 October 2013. The licence covers the Gulf of St. Vincent adjacent to the Yorke Peninsula in South Australia on the northern tip of Kangaroo Island. Geologically it covers the Stansbury Basin and parts of the Troubridge Basin structures.

This report details the work completed during Licence Year 1 of the licence 07 October 2008 to 06 October 2009 (inclusive), in accordance with Regulation 33 of the Petroleum Act 2000.

2 Permit Summary

For the duration of the licence year, licensees for Petroleum Exploration Licence PEL 423 were:

- Swan & Jenkins Pty Ltd 100% interest

The current work commitments associated with PEL 423 can be seen in Table 1.

These commitments are as approved at the time the licence was issue. No variations have been made or approved.

Table 1 Current work commitments by licence year as approved at the time of licence issue.

Licence Year	Licence dates	Minimum Work Program
Year 1	07 October 2008 – 06 October 2009	Geological and geophysical studies
Year 2	07 October 2009 – 06 October 2010	Geological and geophysical studies
Year 3	07 October 2010 – 06 October 2011	Acquire 200 line km of 2D seismic data
Year 4	07 October 2011 – 06 October 2012	Seismic data processing and review; prioritised well drilling program finalised
Year 5	07 October 2012 – 06 October 2013	Drill one well; Geological & Geophysical Studies

Licence Year 1 concluded on 06 October 2009. The following table displays the minimum work program as approved at the time of licence issue 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, in relation to the approved minimum work program (as set out in Table 1).

Licence Year	Minimum Work Program	Actual Work
Year 1	Geological and geophysical studies	<ul style="list-style-type: none"> • <i>Sourcing of all relevant open file data (lithological drill logs, geophysical line data).</i> • <i>Collation and review of all data.</i> • <i>Completion of regional geology and lithological units and geophysical data review, resulting in Masters Thesis "Hydrocarbon Prospectivity within PEL423 Stansbury Basin Lying within Gulf of St Vincent". Hard and digital copy provided as part of this report.</i>
Year 2	Geological and geophysical studies	<i>Yet to take place and be reported on.</i>
Year 3	Geological and geophysical studies	<i>Yet to take place and be reported on.</i>

Year 4	Seismic data processing and review; prioritised well drilling program finalised	<i>Yet to take place and be reported on.</i>
Year 5	Drill one well; Geological & Geophysical Studies	<i>Yet to take place and be reported on.</i>

3 Regulated Activities

Pursuant to Regulation 33(2)(a) under the Act, the following details the regulated activities conducted during the reporting period:

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.*

Activities Completed for the Period:

During the reporting period, the following activities related to PEL423 were conducted:

A) Geological Study

A geological study of the licence area was conducted to establish the regional geological context (structures, lithologies etc) across the Stansbury Basin based on publicly available data. All geological data previously acquired by numerous parties over the past 80 years, for the area was accessed and entered in to a database covering the licence area. Geophysical data was similarly addressed. The database created involved the compilation of drilling, geophysical, magnetic and gravity studies and was sourced from open files from PIRSA.

A geological study and geophysical data review was then completed in order to determine the hydrocarbon prospectivity of the geological units in the licence area.

Potential hydrocarbon source and trap rocks and structures were identified.

B) Masters Thesis writing

The Masters Thesis “Hydrocarbon Prospectivity within PEL423 Stansbury Basin Lying within Gulf of St Vincent” was written up, documenting the interpretations from the study work and recommending further work.

4 Compliance Issues

Licence and Regulatory Compliance

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

Licence Non-Compliance

Table 2 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 3 List of regulatory non-compliances for current reporting year

No.	Date	Activity	Details of Non-Compliance	Rectification of Non-Compliance
NIL				

Compliance with Statement of Environmental Objectives

Table 4 Compliance with Statement of Environmental Objectives

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

Management System Audits

No management system audits were conducted during the current licence reporting period.

Report and Data Submissions

Pursuant to Regulation 33(2) (e) under the Act, the following lists all reports and data relevant to the operation of the Act generated by the licensee during the licence year:

Table 5 List of report and data submissions during current licence reporting year

Description of Report/Data	Date Due	Date Submitted	Compliant / Non-Compliant
NIL			

Incidents

Pursuant to Regulation 33(2) (f), the table lists the following

“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”.

Table 6 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

No risk assessments or HAZOPS were undertaken during the reporting year as a result of no regulated activities taking place.

Future Work Program

The following activities are planned for the coming reporting year based on the regional geology work completed during the current reporting period;

1. Modern day geophysical modelling (3 dimensional) and potential trap interpretation using the data which has now been entered, compiled and collated in to the database for the licence area,
2. A structural geology study, to establish the integrity of the areas of the Stansbury Basin, subsequent to modern tectonic activity,
3. Orogeny investigations and geochemical assessments (Vitrinite Reflectance and Apatite degradation and repair) to establish a timeline for Hydrocarbon and structural trap formation,
4. Further model interpretation to establish the best/most prospective location for further geophysical data acquisition and/or drilling. With a drilling program including budget subsequently established. Additional data acquisition recommendations are expected as a result of this work,
5. Further budgeting and economic analysis work as a basis for attracting investors.

	Planned Operator Activity	Approximate Commencement Data	Approximate Duration
1.	Geophysical Modelling	July 2010 (subject to research project finalisation with University of Adelaide, Australian School of Petroleum)	3 months
2.	Structural Geology Study and 3D modelling	July 2010 (subject to research project finalisation with University of Adelaide, Australian School of Petroleum)	3 months

5 Expenditure Statement

Please refer to Appendix 1 for the expenditure statement for the current reporting period.

ATTACHMENT 1 MASTERS THESIS (COPY)

Hydrocarbon Prospectivity within PEL 423 Stansbury Basin lying within Gulf of St Vincent.

By Stella Williams, The University of Adelaide November 2009.