



Eden Energy Ltd

ACN 109 200 900

Second Annual Report

Mungeranie Project

GEL 177

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1 Introduction

1.1 Background

The Mungeranie Project area is located in the Eromanga Basin west of the Moomba/Geodynamics project. The licence area is located on The Birdsville Track (see Figure 1). There is extensive cover and the area is relatively poorly explored.

The Mungeranie area was identified in Somerville et al. (1994) as an area with good Hot Dry Rock geothermal potential. In essence the area comprises the Mulkarra West 1 well, with an elevated thermal gradient, and large gravity low, interpreted to be due to granite.

The Mulkarra West 1 well was completed in metasandstone at 1287m depth, with a gradient of 58°C per kilometre. The well was drilled above the large Mungeranie gravity low an area suspected to contain a buried granite of large dimensions. The sedimentary basin cover is about 1.5km thick and no granite has been intersected in drilling.

There are no specific measurements of heatflow in the area and regional trends must be extrapolated for predictions of geothermal gradient. However there are some indications for high temperatures from the Geoscience Australia's GEOTHERM database.

Temperatures >200°C are predicted at depths of 5000m from the AUSTHERM03 database.

1.2 Licence Data

Geothermal Exploration Licence 177 (GEL177) was granted on 9th January 2005 with an initial term of five years over an area of 497km².

Figure 1 shows the licence location.

1.3 Period

In accordance with Section 33 of the Petroleum Regulations 2000, this report details work conducted during the second permit year of GEL177.

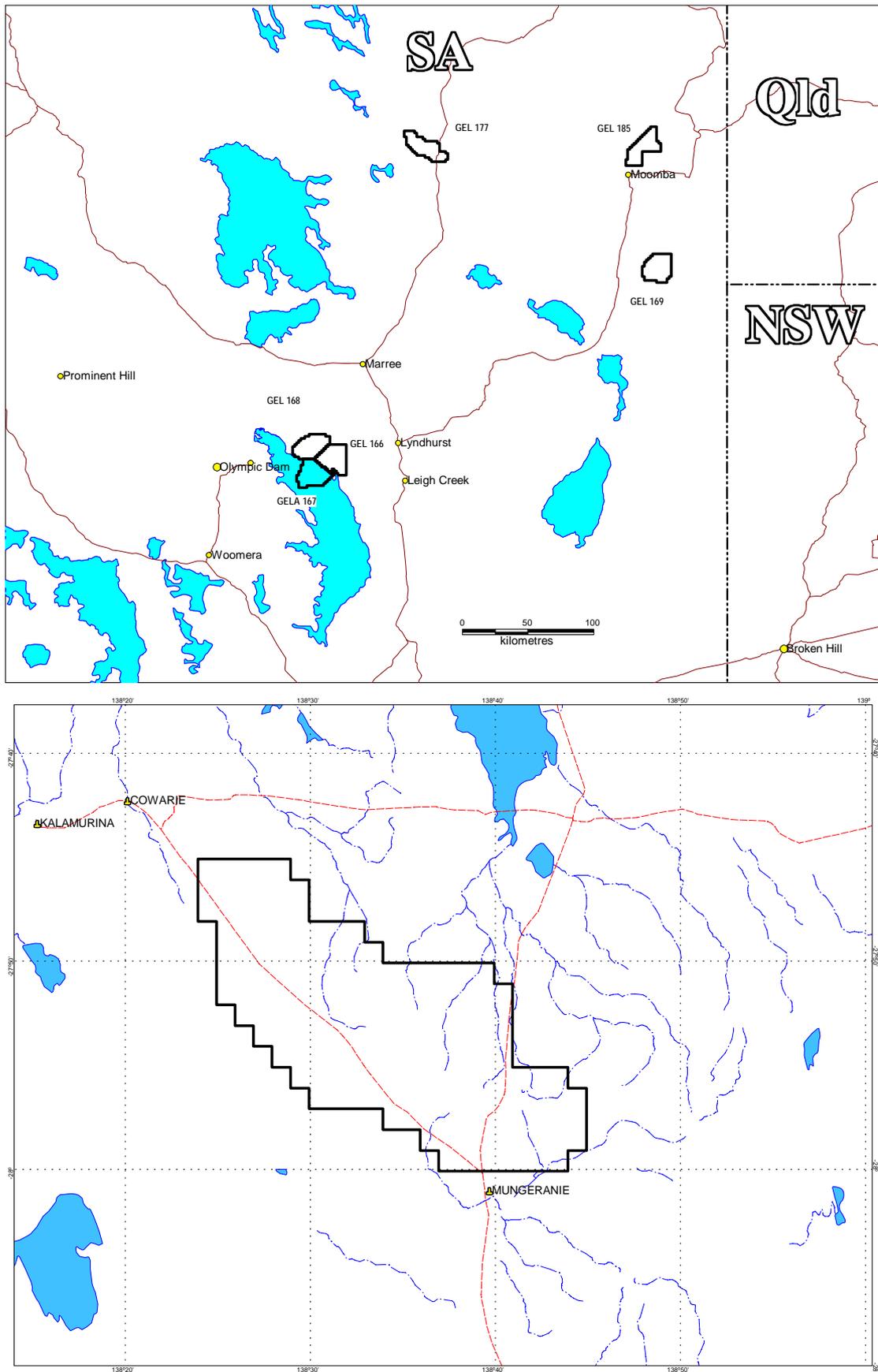


Figure 1: Location of GELs 177 Mungeranie Project

2 Work Requirements

The work programme agreed by Eden with PIRSA for the first two years of GEL 177 comprised completing geological and geophysical reviews.

In year one, a thorough review of all available geological and geophysical data was completed.

Activities scheduled for year two are designed to secure funds for subsequent, higher cost aspects of the work programme, better define the target reservoirs by conducting specific, targeted geophysical surveys (if required) and selection of a suitable initial test drill site.

3 Work Conducted

Work undertaken in Year 2 consisted of acquisition of further public domain data, consolidation of existing data sets and retention of appropriate consultants to assist with the evaluation of the tenement.

During the licence year, Eden has sought to arrange a magnetotelluric (MT) survey of the region, given the Eden believes this tool offers the most cost effective means to select test sites for drilling within the tenement. However, suitable contractors with the appropriate equipment, experience and availability were not able to be located. Subsequent to the licence year, a number of new possibilities were identified and Eden are hopeful of conducting an MT survey in 2007.

The inability to conduct MT work at Mungeranie has meant that Eden were unable to select a site to drill a confirmatory slimline hole to test the geothermal gradient and collect material for thermal conductivity measurement, and this work will therefore need to be postponed to later years of the licence.

4 Year 2 Expenditure

Table 1: Mungeranie Project Years 1 & 2 Expenditure

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5 Year 3 Work Programme

Eden was to undertake reviews of the geology and geophysics of the Mungeranie area in the first two years of the licence.

The aim of the work is to assess the depth of cover, and plan a location to drill a test hole to enable thermal data collection allowing an assessment of heatflow to be made.

Eden consider magnetotellurics, combined with detailed modelling of the potential field data. A thorough assessment of the available seismic data has also yet to be completed. Results from all of these areas will be used to select a test site for a drilling a prospecting geothermal hole – late in 2007 or in 2008 – dependent on drill rig availability.

In parallel with technical work, Eden will be commencing more detailed economic/commercial assessments of all of the geothermal licences held by the company to identify the best strategies to progress the projects.

6 Compliance with the Petroleum Act (Reg. 33)

6.1 Summary of the regulated activities conducted under the licence during the year

Eden has not undertaken any regulated activities as defined under the Petroleum Act in GEL 177 during the licence period to date.

6.2 Report for the year on compliance with the Act, these Regulations, the licence and any relevant Statement of Environmental Objectives

Given that no regulated activities were undertaken during the reporting period, many of the regulations are inapplicable at this stage and no non-compliances have been noted, with the exception of late submission of this report.

6.3 Statement concerning any action to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, and to minimise the likelihood of the recurrence of any such non-compliance

Eden recognises the importance of achieving regulatory compliance and is committed to achieving appropriate practices in its management strategies, work practices and procedures. Eden is committed to operating in an environmentally and socially responsible manner. With respect to the late submission of reports, Eden will endeavour to provide timely reporting within the constraints of fieldwork and staff availability.

6.4 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

Eden is a new company and is developing appropriate systems and documentation to cover Field Operations, Environmental Management, Health and Safety issues and compliance checklists to ensure the requirements of relevant Acts and Regulations are met.

Eden's activities have been essentially desktop studies at this stage and no management system audits have been undertaken as yet.

6.5 List of all reports and data relevant to the operation of the Act generated by the licensee during the relevant licence year

Most of the work conducted during the period of the licence comprised compilation of various public domain data and preparation of a number of memoranda by consultants. The contents of the memoranda have been incorporated into this report.

No new surveys or data relating to the tenement have been acquired.

6.6 Report on any Incidents reportable to the Minister under the Act and Regulations during the relevant Licence Year

No reportable incidents occurred.

6.7 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

No threats have been identified.

6.8 Statement outlining operations proposed for the ensuing year

See Section 5 above.