



Geothermal Exploration Licence 211

Annual Report

Licence Year 3

14th November 2007 to 13th November 2008

Cooper and Eromanga Basins
South Australia

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1 Introduction

GEL 211 was granted to Geodynamics Limited on 14 November 2005. This report is for the year three period of 14 November 2007 to 13 November 2008. No regulated activities were carried out in the GEL because all efforts were concentrated in the adjacent GRL's around the Habanero test site and the drilling of Jolokia 1 in GRL 8.

However scoping of the development of multi-well geothermal systems which will be applicable to the area continued from last year. Large scale multi-well development will be required to justify geothermal electrical generation in such a remote location. The process is being assessed at the Habanero test site and in step-out wells towards GEL211. Success in these areas will allow Geodynamics to progressively scale up its developed processes and this will include development into GEL 211. The timeframe for such development in GEL 211 has not yet been established.

2 Permit Summary

For the duration of the licence year, licensees for Geothermal Exploration Licence 211 were:

- Geodynamics 100%

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

Table 1 Current work commitments by licence year

| Licence Year | Licence dates | Minimum Work Program |
|--------------|---------------------|---|
| Year 1 | 14/11/05 – 13/11/06 | <i>Geological and Geophysical Review of existing data</i> |
| Year 2 | 14/11/06 – 13/11/07 | <i>Collection of remotely sensed gravity and seismic data</i> |
| Year 3 | 14/11/07 – 13/11/08 | <i>Re-enter and temperature log one well</i> |
| Year 4 | 14/11/08 – 13/11/09 | <i>Geological and geophysical review of new data</i> |
| Year 5 | 14/11/09 – 13/11/10 | <i>Drill one well to basement</i> |

Licence Year 3 concluded on 13 November 2008. 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 | <i>Geological and Geophysical Review of existing data</i> | <i>Completed</i> |

| | | |
|--------|---|---|
| Year 2 | <i>Collection of remotely sensed gravity and seismic data</i> | <i>Completed</i> |
| Year 3 | <i>Re-enter and temperature log one well</i> | <i>No regulated activities undertaken</i> |
| Year 4 | <i>Geological and geophysical review of new data</i> | |
| Year 5 | <i>Drill one well to basement</i> | |

It is noted that as Geodynamics does not intend to carry out Regulated Activities over the GEL, this is a non compliance with the licence and a licence variation will need to be sought.

3 Regulated Activities

3.1 Drilling

No wells were drilled in GEL 211 during Year 3 of the Licence.

3.2 Seismic Data Processing and Reprocessing

No seismic data was processed and no seismic data was reprocessed during Year 3 of the Licence.

3.3 Geochemical, Gravity, Magnetic and other surveys

There were no *Geochemical, Gravity, Magnetic and other surveys conducted in GEL 211 during the reporting period.*

3.4 Pipeline/Flowline Construction and Operation

There was no pipeline / flowline construction or operation undertaken *in GEL 211 during the reporting period.*

3.5 Preliminary Survey Activities

There were no preliminary *survey activities conducted in GEL 211 during the reporting period.*

4 Compliance Issues

Licence and Regulatory Compliance

Pursuant to Regulations 33(2) (b) & (c), an annual report must include:

“a report for the year on compliance with the Act, these regulations, the licence and any relevant statement of environmental objectives;” and

“a 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 recurrence of any such non-compliances.”

There were no instances during Year 3 of GEL 211 in which Geodynamics failed to comply with the requirements of the licence the Regulations of the Petroleum Act 2000 or the objectives of the SEO's under which it conducts its field operations.

Licence Non-Compliance

As noted above (section 2) there was one instance of Licence non-compliance during Year 3 of the GEL 211. This related to the Geodynamics failure to comply with the work program which re-enter and temperature log one well. This has not occurred as Geodynamics has been concentrating its efforts at Habanero (pilot plant) and Savina and Jolokia. An application has been made seeking a variation to our licence to address this non-compliance.

Regulatory Non-Compliance

There were no instances during Year 3 of the GEL 211 licence where Geodynamics failed to comply with the regulations of the Petroleum Act 2000.

Compliance with Statement of Environmental Objectives

There were no instances during Year 3 of the GEL 211 Licence in which Geodynamics failed to comply with the environmental objectives specified in either the:

- “Statement of Environmental Objectives for **Drilling and Well Operations** in the Cooper / Eromanga Basins – South Australia (SEO)” , or the
- “Statement of Environmental Objectives : **Geophysical Operations** - for the Cooper / Eromanga Basin – South Australia (June 2006)”.

Management System Audits

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

“a 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 actions that has, or will be taken”.

No management system audits were undertaken during the Licence Year in relation to the exploration activities

Report and Data Submissions

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

“a list of all reports and data relevant to the operation of the Act generated by the licensee during the licence year”.

No reports or data submissions have been generated during the licence year in relation to GEL 211.

Incidents

Pursuant to Regulation 33(2) (f), an annual report must include:

“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”.***

There were no incidents arising from the operations undertaken on GEL 211 during Year 3 of the Licence

Threat Prevention

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

“a report on any reasonably foreseeable threats (other than threats previously reported on) that reasonably presents, 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”.

There are no threats foreseeable to any future exploration activities in GEL 211.

Future Work Program

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

“unless the relevant licence year is the last year in which the licence is to remain in force – a statement outlining operations proposed for the ensuing year”.

In the next reporting year there will be considerable effort examining the economic viability of HFR development relating to the Habanero test site and at the adjacent Jolokia and Savina test sites, with the aim of proving up a financial investment case to build a Commercial Demonstration Plant at one of the three mentioned sites. The results of these studies should be valid for future expansion into GEL 211.

It is noted that as Geodynamics does not intend to carry out Regulated Activities over the GEL, this is a non compliance with the licence and a licence variation has been sought.

5 Expenditure Statement

Pursuant to Regulation 33(3) under the Act, an annual report must contain:

“An annual report must be accompanied by a statement of expenditure on regulated activities conducted under the licence for the relevant licence year, showing expenditure under each of the following headings:

- a) drilling activities;***
- b) seismic activities;***
- c) technical evaluation and analysis;***
- d) other surveys;***
- e) facility construction and modification;***
- f) operating and administration expenses (not already covered under another heading)”.***

Commercial in confidence.