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Third Annual Report

Mungeranie Project GEL 177

Reporting Period 10 January 2007 to 9 January 2008

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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 third permit year of GEL177 (10 January 2007 to 9 January 2008)

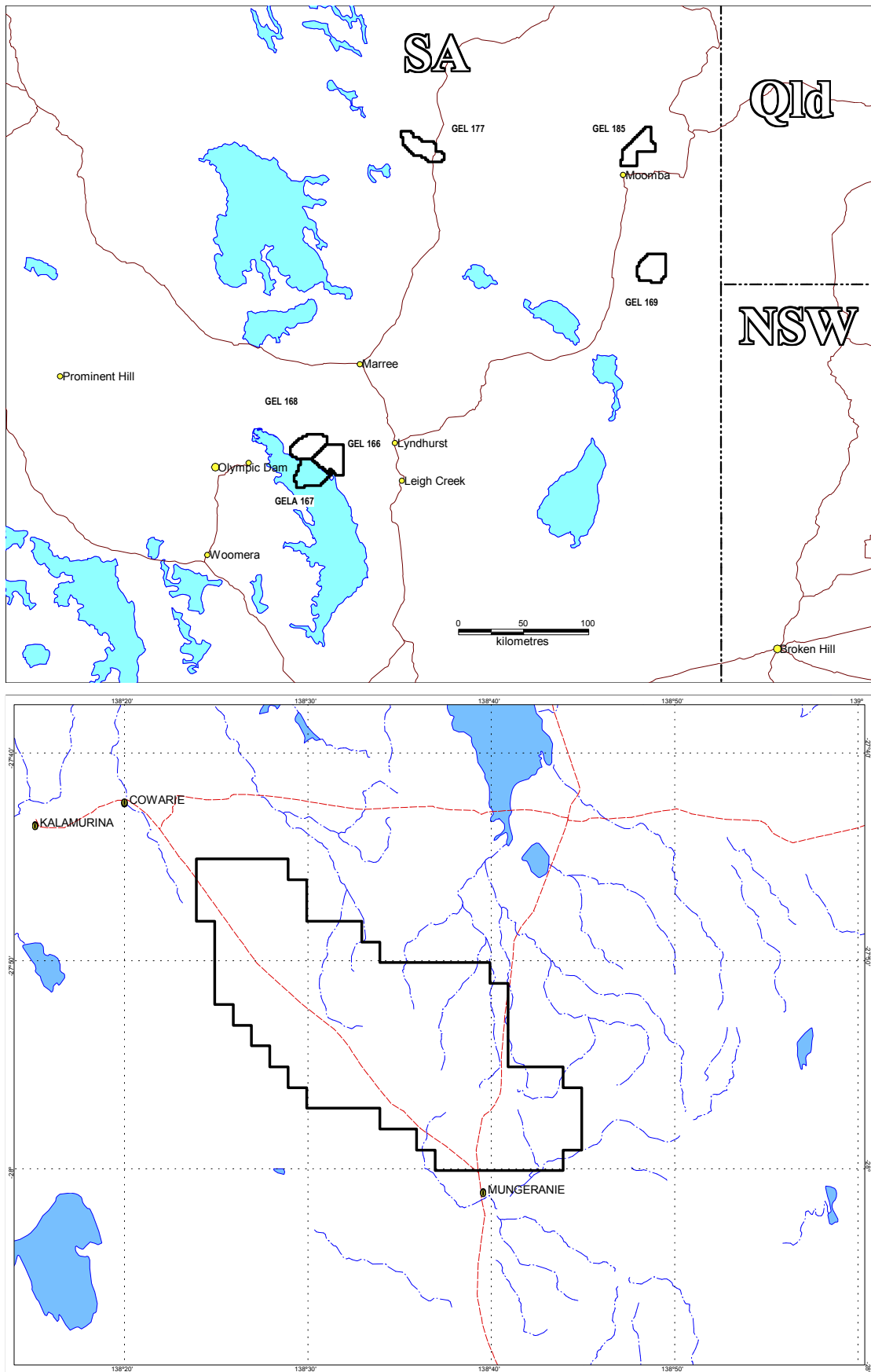


Figure 1: Location of GELs 177 Mungeranie Project

2 Work Requirements

The work programme agreed by Eden with PIRSA for the third year of GEL 177 comprised drilling a test well.

In years 1 and 2, a thorough review of all available geological and geophysical data was completed.

Subsequent activities were 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.

Year of Term of Licence	Licence Dates	Minimum Work Requirements
One	10 January 2005 to 9 January 2006	Geological and geophysical review
Two	10 January 2006 to 9 January 2007	Geological and geophysical review
Three	10 January 2007 to 9 January 2008	Drill one test hole for thermal investigation and stress analysis
Four	10 January 2008 to 9 January 2009	Data Review
Five	10 January 2009 to 9 January 2010	Convert test hole to injection well

3 Work Conducted

Work undertaken in Year 3 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. A geothermal assessment and review of public domain seismic data was completed.

During the licence year, Eden 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. A suitable contractor with the appropriate equipment, experience and availability was located. Following appropriate permitting activities, an orientation MT survey line was acquired in February 2008, after the end of the Year 3 reporting period. The contractor has yet to deliver the data from the survey at the time of writing of this report.

The delay in conducting MT work at Mungeranie has meant that Eden was 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.

Discussions with PIRSA on varying the work programme are currently underway.

4 Year 3 Expenditure

5 Year 4 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.

As indicated in section 3 above, Eden was unable to locate and drill a test hole to fulfil its Year 3 commitment. Discussions are underway to clarify the forward work programme and vary it as appropriate. It is expected that the varied Year 4 work programme will comprise interpretation of new MT data, including processing techniques, a preliminary economic study, a shallow heat flow measuring drill hole and planning for a deeper well in Year 5.

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*

No regulated activities were conducted.

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 not applicable at this stage and no non-compliances have been noted for regulated activities. However, Eden notes that the late submission of this report and inability to drill a test well in the Year 3 reporting period constitute non-compliance with the licence conditions.

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. Variations will be sought to bring the work program back into compliance with the licence.

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

No new surveys or data relating to the tenement have been received by the company during the licence year.

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.