

Permit T/32P

Permit Year 1 Annual Report

Year Ending December 15, 2010

Perenco (SE Australia) Pty Ltd
and
Mitsui E&P Australia Pty Ltd

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1. Administration Summary

1.1 Permit Data

Exploration Permit T/32P is situated in the Otway Basin, offshore Tasmania (Figure 1). The permit was awarded to Santos Offshore Pty Ltd and Unocal South Australia Pty Ltd on 22 August 2002 for an initial term of 6 years.

In 2005 Unocal South Australia Pty Ltd was taken over by Chevron Australia (SE Australia) Pty Ltd. On 14 February 2006, Mittwell Energy Resources P/L acquired a 25% share of the Santos Offshore Pty Ltd and Chevron Australia (SE Australia) Pty Ltd interests. Santos and Chevron subsequently each held a 37.5% working interest in T/32P.

On 31 July 2007, Mittwell Energy Resources Pty Ltd (Mittwell) completed assignment of its 25% interest in T/35P to Mitsui E&P Australia Pty Ltd (MEPAU). On 3 July 2008, Perenco (SE Australia) Pty Ltd purchased Chevron Australia (SE Australia) Pty Ltd, thereby assuming a 37.5% working interest in T/35P.

Effective 29 July 2009, Santos withdrew from Permit T/35P. Perenco assumed operatorship of the permit, and Perenco and MEPAU assumed the interest previously held by Santos according to their working interest shares.

The permit was renewed effective 16 December 2009. Following a required 50% relinquishment at the time of renewal, the permit now consists of 40 whole, 5 minute by 5 minute graticular blocks as depicted in Figure 2.

1.2 Permittees

The current Joint Venture interest holders in the permit as follows:

Perenco (SE Australia) Pty Ltd	60% (Operator)
Mitsui E&P Australia Pty Ltd	40%

1.3 Work Commitments

The work program and primary commitments for Permit T/32P are summarized in the following table

<u>Permit Year</u>	<u>Work Requirements</u>	<u>Estimated Cost (\$MM)</u>	<u>Work Completed to Date</u>
1	G & G Studies Plan 3D seismic acquisition	\$ 0.4	Designed/planned SGE survey Survey designed & contracted
2	350km ² 3D Seismic surveying	\$ 11.0	
3	G & G Studies	\$ 0.6	
4	One exploration well	\$ 80.0	
5	G & G Studies	\$ 0.6	

2. Operations

2.1 Drilling Operations

No drilling operations occurred during the Period.

2.2 Geophysical Operations

No seismic or other geophysical operations occurred during the Period.

3. Geology and Geophysical Studies

One primary prospect, the Wolseley Prospect, has been identified on T/32P. The prospect is a large, elongate, faulted, 4-way dip closed structure at the top Waarre level (Figure 3). The primary reservoir objective in the Wolseley prospect is the Thylacine Sandstone Member of the Belfast Mudstone Formation, proven productive in the Otway Basin in the Thylacine Field, which lies approximately 175km to the north of Wolseley.

High amplitude seismic events are evident within the Thylacine reservoir interval (Figure 4). These are interpreted to reflect the presence of reservoir quality sandstones within the prospect. They may also be direct hydrocarbon indicators, indicating the presence of gas and condensate within the sandstone reservoirs.

3.1 3D Seismic Acquisition & Processing

To assist in determining the nature of the high amplitude seismic events, and to better define the size and resource potential of the Wolseley Prospect, an 800km² full-fold seismic survey was designed during Permit Year 1 (Figures 3 and 5). Proposals to acquire that survey were solicited and received from the following seismic contractors:

CGGVeritas
Fugro-Geoteam
PGS
WesternGeco

Acquisition must take place during the current summer season (Q4 2010 and Q1 2011), and be concluded before winter storms may arise in May or June 2011. Considering both vessel availability and total project cost, WesternGeco has been awarded the contract for this project. The vessel will be the Western Patriot, which has acquired two large 3D seismic surveys for Perenco offshore Brazil during the past two years. Acquisition is expected to commence in March 2011. Total acquisition time is estimated to be 30 days.

The 3D seismic will be processed by WesternGeco in Gatwick, England. Delivery of the final processed data is expected in Q4 2011.

The total cost of the program is estimated to be \$11.35MM.

3.2 Potential Fields Data Acquisition

Intrusive and extrusive igneous rocks are known to be present in the Otway Basin. It is possible that the high amplitude seismic events observed within the Wolseley Prospect result from the presence of igneous rock in the area, rather than sandstone reservoirs. To assist in determining the nature of those seismic amplitudes, magnetic data will be acquired in conjunction with the planned 3D seismic acquisition.

Austin Exploration have been contracted to provide the instrumentation required to acquire those magnetic data. Data will be transferred to Austin Exploration offices for quality control and data processing.

The resulting data will be forwarded to Earthfield Technology, a specialist potential fields processing and interpretation company based in Houston, Texas. Earthfield will analyze the data to determine if igneous rock is likely to be present within the objective interval of the Wolseley Prospect.

The total cost of this magnetic survey, including acquisition, processing and interpretation of the data, is projected to be \$200,000.

3.3 Seabed Coring and Geochemical Survey

Permit T/35P adjoins T/32P to the north. As in T/32P, Perenco operates Permit T/35P with Mitsui as a 40% working interest partner. One large prospect, the Brandt Prospect, has been identified on T/35P. Like Wolseley, Brandt is a large, faulted dip-closed structure, but differs in that the Waarre Sandstone is the main objective reservoir interval.

The nearest analogue production for the prospects is the Thylacine Field, which lies approximately 85 kilometres to the north of the Brandt Prospect and 175 kilometres to the north of the Wolseley Prospect. The Thylacine Field produces gas and condensate from the Upper Cretaceous Thylacine Sandstones, trapped in a faulted, four-way dip closed structure. Vertical seal of reservoirs is provided by the Upper Cretaceous Belfast Mudstones.

The primary source of gas found in the Otway Basin are Lower Cretaceous Eumeralla Formation coals. T/32P and T/35P lie in the southern part of the Otway Basin, which remains largely unexplored. It is uncertain if source rocks in this part of the basin likely to have generated gas, condensate or oil.

To confirm the presence of mature source rocks in the T/32P and T/35P area, and to address the issue of hydrocarbon phase which may be present in the prospects, Perenco has designed a seabed coring program. Between 100 and 150 seabed cores will be collected over the Brandt and Wolseley Prospects during Q1 2011 (Figure 5). These cores will be acquired with a gravity coring device, which will collect cores approximately 3 meters in length from the seabed. Samples will be cut from the cores, frozen, and sent to a laboratory for geochemical analysis.

Three companies, Fugro Geolab, Gardline Marine Services, and TDI Brooks submitted proposals to acquire the seabed cores. Gardline are a marine services company and have

the capability to acquire the cores, but do not offer geochemical analysis services. Fugro and TDI Brooks are specialist companies in the field and submitted proposals for both core acquisition and geochemical analysis. Fugro have a marine services division based in Australia and are an industry leader in geochemical sampling and analysis. Fugro has therefore been selected to acquire and analyze the seabed cores.

The total estimated cost of the programme is \$2,000,000. Cost will be divided between the two permits according to the number of cores collected on each permit. Total acquisition time is estimated to be 20 days. Acquisition is scheduled to occur during February 2011 and be completed before the arrival of the Western Patriot seismic vessel, to avoid any interference between the two surveys. Analysis and interpretation of the samples and issuing of a final report will be completed by June 2011.

4. Estimated Expenditure

Following is a summary of estimated expenditures for work program planned during Permit Year 2 (16 December 2010 to 15 December 2011). All figures in \$1,000.

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Environmental impact studies		\$ 10			\$ 10
3D Seismic acquisition	\$ 1,558	\$ 9,033			\$10,591
3D Seismic QC & MMO	\$ 75	\$ 150			\$ 225
3D Seismic processing		\$ 100	\$ 400	\$ 250	\$ 750
Seabed coring/analysis	\$ 140	\$ 500			\$ 640
Acquire/process Mag/Grav data		\$ 185	\$ 15		\$ 200
Total	\$ 1,773	\$9,978	\$ 400	\$ 250	\$12,400

5. Applications, Referrals, and Reports Submitted During the Period

- No applications, referrals or written reports were submitted during the period.
- A meeting was held with the Managing Geologist, Industrial Minerals and Land Management, Mineral Resources Tasmania (MRT) on 12 April 2010 in Hobart, Tasmania. During that meeting, Perenco provided the MRT with a slide presentation describing the operator's ongoing technical evaluation of T/32P and plans for Permit Year 1 and 2 work program.

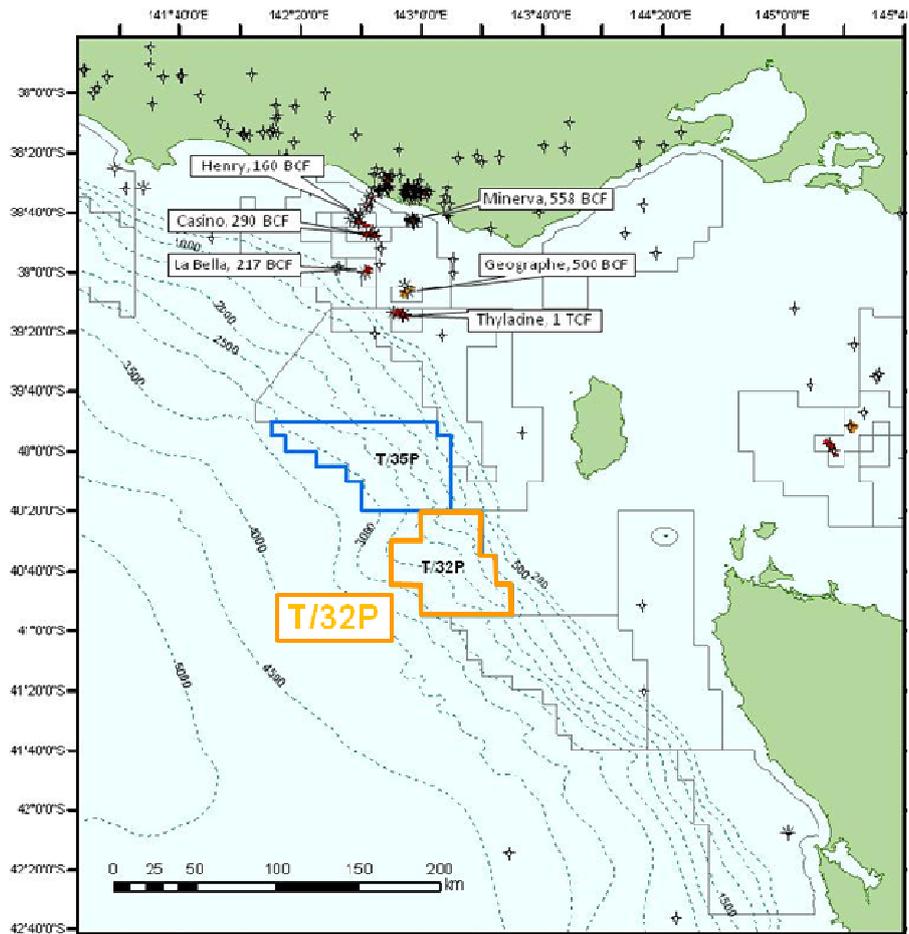


Figure 1. Permit T/32P location map

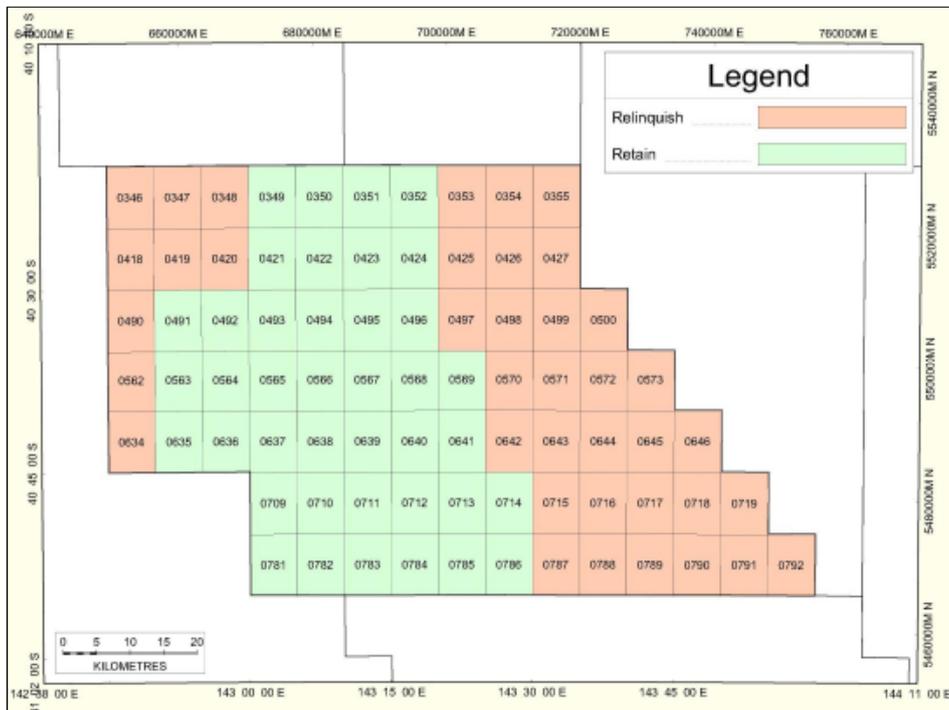


Figure 2. T/32P Graticular Blocks

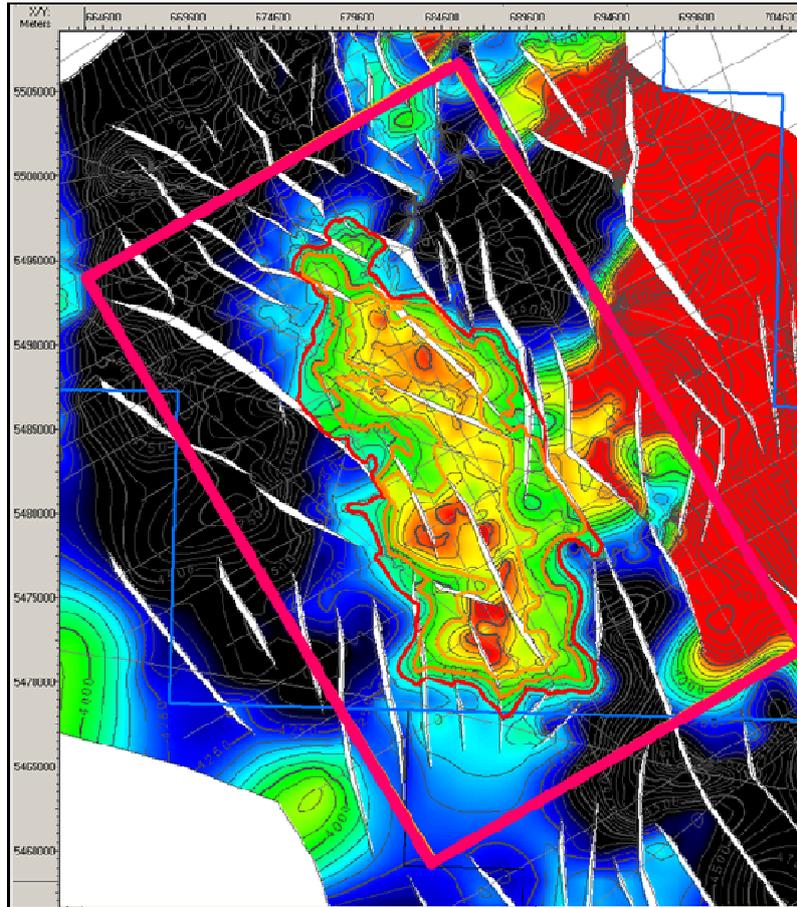


Figure 3. Wolsley Prospect top reservoir depth structure map & planned 3D seismic

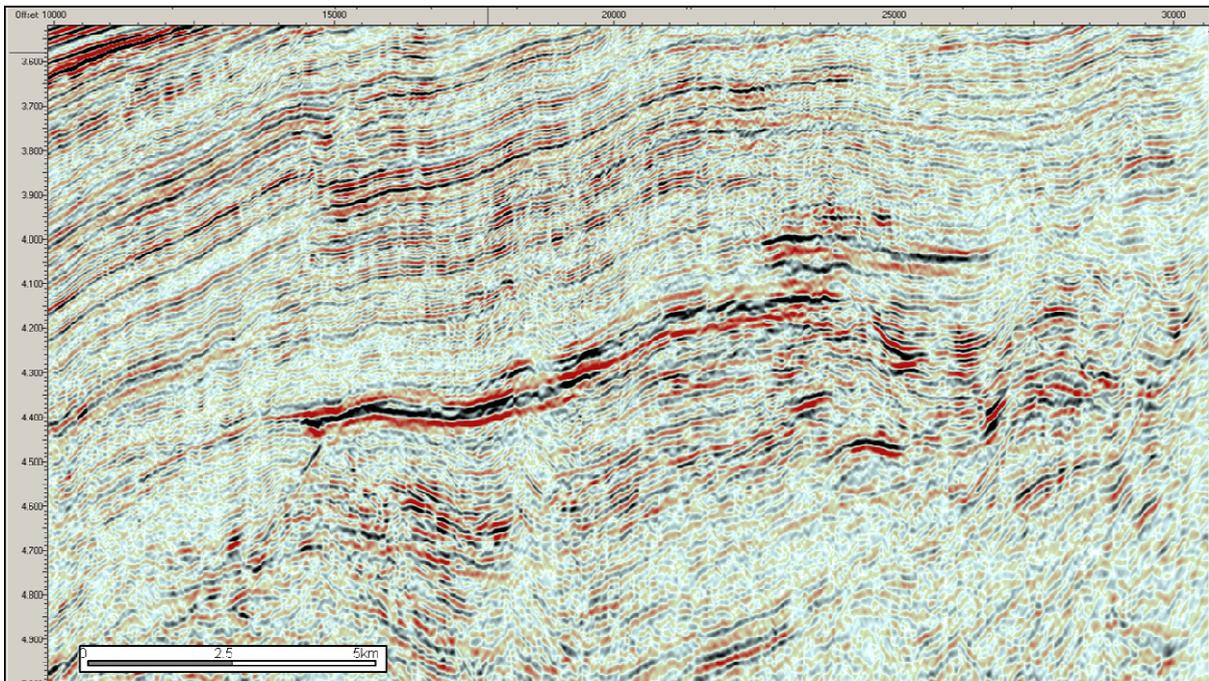


Figure 4. Wolsley seismic line

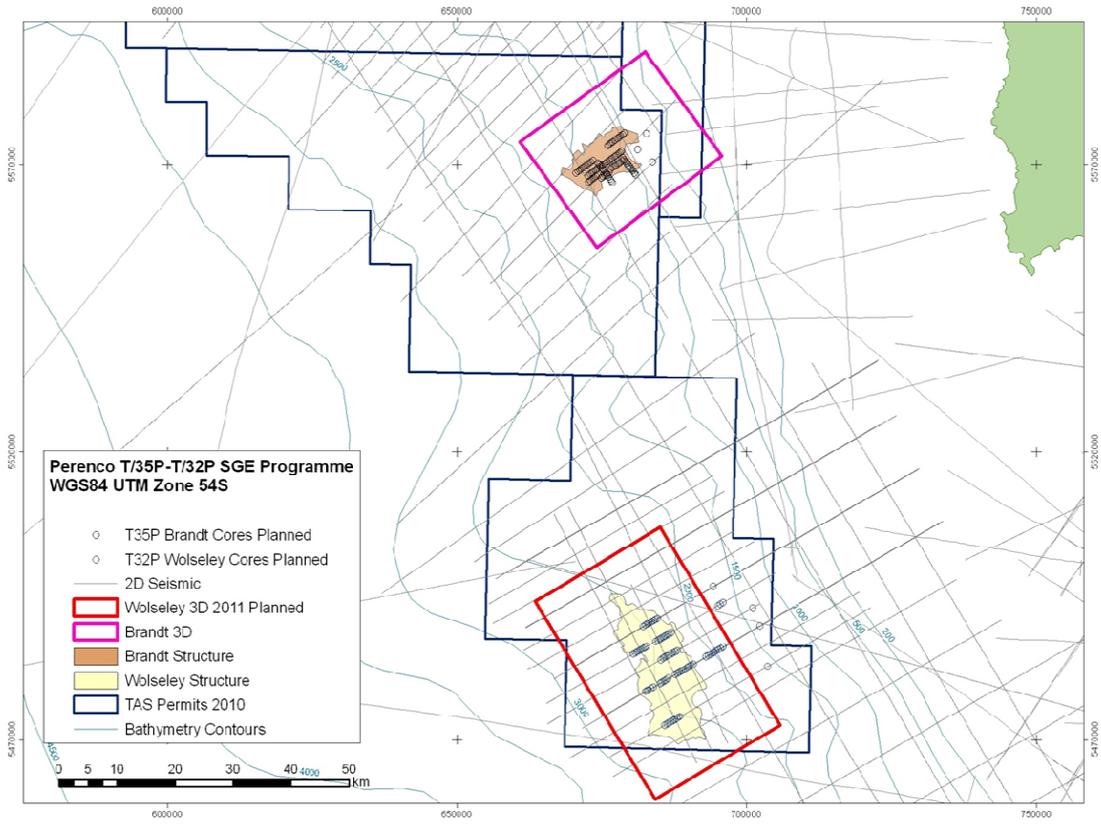


Figure 5. Planned seabed core locations and planned Walseley 3D survey outline