

**Tasmania Special Exploration License
SEL 32/2003**

**Final Report
on
Relinquished Lands**

Period: July 30, 2004 to July 30, 2005

License Holder: OME Resources Pty Ltd

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Summary

This report is in reference to exploration activities conducted over Special Exploration License SEL 32/2003. The license applies to coalbed methane, and expires on July 30, 2005. This license was originally part of SEL13/98.

The Tasmanian Basin is a mature coal-mining production province, with significant coal resources, and hence significant potential for Coal Seam Gas. The first step in evaluating the CSG potential was a “desk-top” study. There already exists a significant library of geological studies and core hole results accumulated from over a century of coal-mining exploration and production in Tasmania. However, this data had not yet been compiled or studied from a specifically Coal Seam Gas perspective. The interim results of this “desk-top” CSG work are presented in this report.

Aside from proving gas content and productivity, many areas still carry basic exploration risks, such as: coal depth, total coal thickness, and vertical coal distribution (ie. total coal thickness may be near sufficient, but is distributed over several thin seams).

Since much of historical coal-mining exploration drilling was aimed at proving open-cut potential, most areas have only proven coal to quite a shallow depth, and would require significant further geological mapping and exploratory work before drilling.

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1. Introduction

1.1. Tenement License

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The SEL32/2003 license area covers approximately 30,000 km², and is shown in Figure 1.

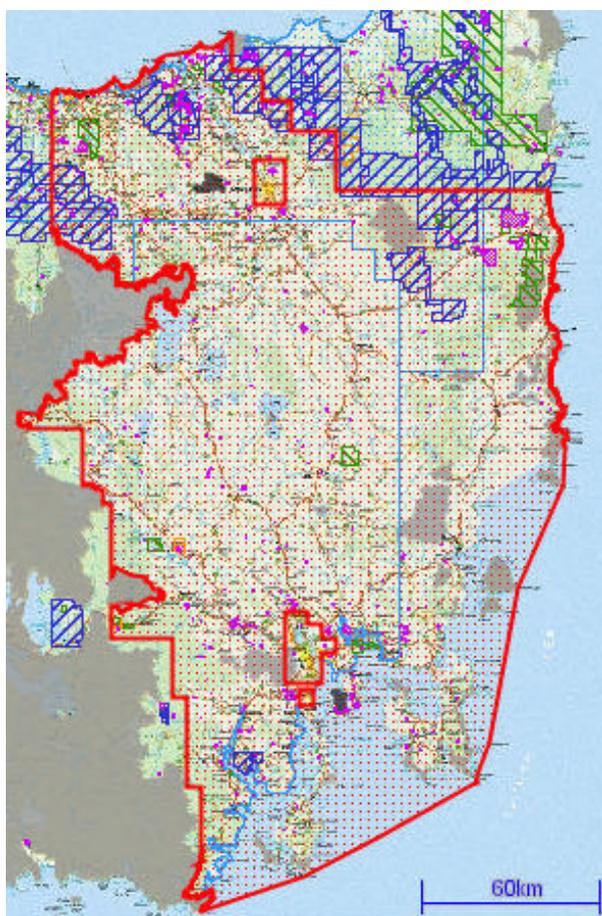


Figure 1: Special Exploration License 32/2003

1.2. Areas for Renewal and Relinquishment

The areas being applied for renewal are shown in Figure 2, as outlined in black. The areas that are being relinquished are those outside of the indicated areas.

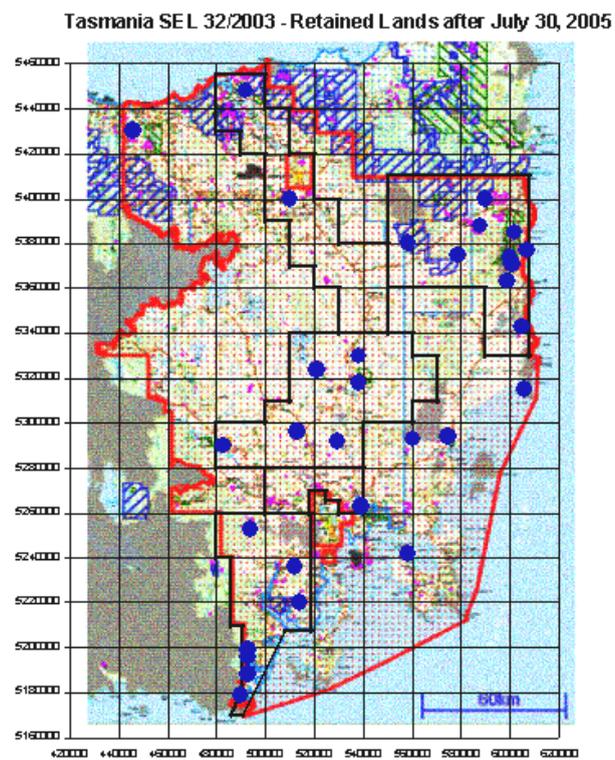


Figure 2: Areas Applied for Renewal, outlined in black

2. Exploration / Appraisal Rationale

The Tasmania Basin is a mature coal-mining production province, with significant coal resources, and hence significant potential for Coal Seam Gas. Our objective is to evaluate and demonstrate both the distribution and economic viability of CSG production in the Tasmania Basin. If our drilling and pilot programs are successful, we plan to rapidly develop this resource, and establish CSG as a viable alternate energy source for the state of Tasmania.

Our exploration / appraisal philosophy is to leverage the extensive existing coal-mining knowledge base to identify areas of greatest potential for Coal Seam Gas. Once this “desk-top” phase is complete, we will then drill and test the most promising areas, and if successful, move quickly into pilot and production.

2.1. Exploration / Appraisal Program

The first step in evaluating the CSG potential was a “desk-top” literature study. There already exists a significant library of geological studies and core hole results accumulated from over a century’s worth of coal-mining exploration and production in Tasmania. However, this data had not yet been compiled or studied from a specifically Coal Seam Gas perspective. The interim results of this CSG work are presented in this report.

2.2. Coal Seam Gas Screening and Ranking Criteria

Currently we are in the “desk-top” phase of prospect evaluation. There are six key components to our CSG Screening and Ranking process:

1. Existing Coal Exploration / Appraisal Data
2. Total Coal Thickness
3. Coal Depth
4. Potential Areal Extent
5. Coal Resource Quality
 - a. Gas Content
 - b. Productivity Potential
6. Development and Environmental Considerations

Some of these criteria cannot yet be evaluated in detail, and will require drilling, sampling, and testing.

The first four criteria are dominant in the desk-top phase, since there is no hard data on gas content and productivity potential. The two criteria with the most hard data were Total Coal Thickness, and Coal Depth.

3. Evaluation of Tasmanian CSG Prospects

3.1. *Geology - Overview*

The Tasmania Basin contains a sequence (up to 2km thick) of flat lying rocks ranging in age from Late Carboniferous to Late Triassic. The total section is called the Parmeener Supergroup, which is divided into the Lower Parmeener and the Upper Parmeener.

The Lower Parmeener is Late Carboniferous to Permian in age and predominantly marine, but includes a Lower Permian non-marine section towards its middle. The Upper Parmeener is Late Permian to Late Triassic in age and wholly non-marine. The boundary between the Upper and Lower is mostly conformable, but in the northeast is slightly disconformable.

The Parmeener Supergroup is extensively intruded by Mid Jurassic dolerite. The dolerite occurs most commonly as discordant sheets or sills up to 500m thick, and occasionally as dykes. The intrusions have thermally altered the sediments in a zone about half the thickness of the sill above and below, and in places have raised the rank of nearby coal seams. The dolerite is resistant to erosion and tends to dominate the landscape of the eastern part of Tasmania, capping all of the high mountains and underlying the Central Plateau.

Coal seams occur within the non-marine section of the Lower Parmeener, and within the Late Permian and the Late Triassic of the Upper Parmeener. While coals have historically been mined from each of the three coal measures, only the coal seams within the Late Triassic are currently considered economic for mining, and probably represent the better prospects for coal seam gas production.

The Early Permian coal measures are called the Preolenna and Mersey Coal Measures and their equivalents. They occur as a thin sheet 6 to 50m thick within about the middle of the Lower Parmeener, and are spread over most of the Tasmania Basin area and some of the other minor basins. The individual seams are thin (less than 1m thick), have a low ash (8 to 12%) and a high sulphur (up to 5%) content.

The Late Permian Cygnet and Adventure Bay Coal Measures comprise the lowest member of the Upper Parmeener Supergroup. They occur in the southeastern, the western and the northern peripheries of the Basin, but are absent in the northeastern corner. The coal measures generally contain two seams less than 1m thick, with ash contents of 25 to 30%.

The Late Triassic coal measures are, except for the northern edge, present over the bulk of the Tasmania Basin. Tertiary basins are widespread across Tasmania; most are extremely small and localised and are of no economic importance, particularly for coal seam methane.

3.2. Evaluation of relinquished Areas

3.2.1. Schouten Island Coalfield

Schouten Island was declared a National Park in 1967, and is exempt from provisions of the Mining Act.

3.2.2. Triabunna Coalfield

Summary: The Triabunna coalfield is considered of limited near-term CSG prospectivity, given the limited drill-hole data, the shallow proven depth of coal (maximum 60 to 75 meters), the intermittent presence of coal in the drillholes and shafts, and its apparently limited areal extent.

The Triabunna coalfield is located east of the town of Triabunna, on the east coast of Tasmania, about midway between Hobart and northeast coalfields.

Coal was initially discovered outcropping on a hill east of Triabunna. A total of seven shafts were sunk in the area in the late 1800's, with two of them intersecting a coal seam 1.5 meters thick.

Montgomery studied the area in 1890, and states that 130 meters thickness of "coal measures" are proven in the area. Coal had been proven to a depth of about 35 meters, in Shaft C.

Four boreholes were drilled in 1891 (proposed by Montgomery, 1891). Results are presented in Hills et al, 1922. The four bores were drilled to total depths of 53, 23, 130, and 80 meters. Bore No. 4 appears to be the only one to encounter coal, about 2 meters of banded coal at a depth of 30 meters, with thin traces of coal at depths of 60 and 75 meters.

No coal mining or exploration has occurred in the area since the 1890's. Potential for future coal mining exploration in this area is considered very limited (GSB64, Bacon).

3.2.3. Buckland Coalfield

Summary: The Buckland coalfield is considered of limited near-term CSG prospectivity, given the limited drill-hole data, the shallow proven depth of coal (maximum 30 meters), the intermittent presence of coal in the drillholes and shafts, and its apparently limited areal extent.

The Buckland coalfield is located about 10 kilometers north of Buckland, and is divided into two coal discoveries. However, both of these coal deposits are contained

within a small fault block, with limited areal extent, in the order of 1 to “a few” square kilometers each.

Two bores (A and B) were drilled in the Prosser’s Plains area early in the century, to depths of 125 and 133 meters. Results are presented in Hills et al, 1922, and do not show any coal being intersected. Hills explains the lack of coal: “The failure in cutting the coal beds, and the fact that the strata passed through consist of the lowest members of the Trias-Jura, clearly show that the felspathic sandstones containing the seams have been faulted, the displacement amounting to fully 450 feet.”

In Robinson’s “shaft and drive” data, presented in Hills, 1922, several coal seams were intersected, totaling 2.5 meters in thickness, and extending to a depth of 30 meters.

No significant further exploration work appears to have been done since about 1920.

Potential for future coal-mining exploration is considered very small (GSB64, Bacon).

3.2.4. Saltwater River Coalfield

Summary: The Saltwater River coalfield is of limited areal extent, of questionable coal quality, and is classified as an Historic Site.

The Saltwater River coalfield is located on the outermost, northern end of the Tasman Peninsula. The mine was the first to be operated in Tasmania, and is now designated a Historic Site. In addition, the area directly to the north, where the coalfield extends, is a Nature Reserve.

The coal-bearing sediments of the Upper Permian Supergroup are limited to a small fault block only 500 meters wide. Also, the coal is purportedly poor quality.

There has been no exploration of the area since the mine closed in 1877. GSB64 (Bacon) classifies the coalfield as having “no potential” for further coal-mining exploration.

3.2.5. Adventure Bay Coalfield

Summary: The economics of Coal Seam Gas development exclude this island coalfield from consideration in the short to medium term.

The Adventure Bay Coalfield is located on South Bruny Island. No detailed analysis has been done of this coalfield during this review (although according to Bulletin 64, the Adventure Bay coalfield is of “no economic importance” and has “no potential for further (coal-mining) exploration”, due to the “extremely thin nature of the seams and the small areal extent”). While the possibility that the coalfield has some CSG prospectivity cannot be excluded at this point, the economics of CSG make the development of an island coalfield extremely unlikely in the foreseeable future.

3.2.6. Mersey-Don Coalfield

Summary: This area is considered low prospectivity for Coal Seam Gas. Coal has only been proven to a depth of 40 meters, and the few wells that were drilled to find deeper seams (although only to a maximum depth of 100m), found no further coal.

The Mersey-Don coalfield is located between the Mersey and Don Rivers in Northwest Tasmania, extending from Tugra in the northwest to Dulverton in the southeast. Several small collieries worked the coalfield in the period between 1850 and 1961. These are described in some detail by Burns (1975).

The coalfield is comprised of thin, faulted seams in the order of 0.5m thick. Data on total coal thickness is difficult to find, although from the Burns data there appears to be 1 to 3 seams in the boreholes, totaling about 1 meter thickness.

Coal quality data is all pre-1943, with average ash content low (circa 5%), and sulphur content up to 5%. The sulphur content is not necessarily a problem with CSG development, unless the associated water becomes difficult to dispose of. Some interest has been shown on the oil shale potential of the area, but at a deeper interval than the Mersey Coal Measures.

Burns (1978) described ten smaller areas within the Mersey Coalfield that have been worked, all of them shallow (less than 40 meters). Depth-to-proven-coal is as follows (from Burns): Mersey Colliery (proven coal to 40 meters; 1 seam), Dennys Colliery (6 meters), Don Colliery (30 meters), Alfred Colliery (25 meters; borehole No. 4 was deepened in 1861 to 100 meters, without further coal), Rileys Coal Mine (15 meters), Coventry (12 meters), Compton's bore at Dawson's Pit (30 meters, 3 seams (1861)).

4. Exploration / Appraisal Expenditures in the year July, 2004 to July, 2005

The exploration expenditure in the past year totaled \$178,500. The first step in evaluating the CSG potential of the license area was a “desk-top” study, including literature review, data compilation, geological review, CSG prospect screening and analysis, pilot and development modeling, and exploration drilling, evaluation, and testing design. The interim results are presented in this report.

The expenditure is itemized as follows:

Activity	Cost (\$)
Literature Review	38,250
Data Compilation	18,750
Geological Review	19,500
CSG Prospect Screening and Ranking	45,500
Pilot and Development Modeling	31,250
Exploration Drilling, Evaluation and Testing Programs	25,250
Total	\$178,500

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