

FINAL REPORT ON EXPLORATION ACTIVITIES

EL 26/2011

for

THYLACINE HYDROCARBONS PTY LTD

Year 1 to 11th September, 2012

MINERAL RESOURCES		
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3rd October, 2012.



Abstract

Exploration Licence 26/2012 was granted to Thylacine Hydrocarbons Pty Ltd (Thylacine) on the 12th September, 2012. The main reason behind Thylacine applying for the Licence Area was that high ranking officials from two Chinese State owned organizations had mentioned to Thylacine Director Mr Norm Zillman that they would be interested in evaluating potential Oil Shale deposits around the world.

Mr Zillman is Co-Chairman of ASX listed company Chinalco Yunnan Copper Resources Limited which has Yunnan Copper Industries (YCI), China's third largest copper producer, as its largest shareholder (22%); and YCI is in turn 54% held by Chinalco (the world's second largest alumina producer).

During the first year of the permit, all required exploration work was completed. Activities consisted of the following work:-

Obtaining all previous available data on the area and undertaking a systematic re-evaluation of this data with a view to determining whether there was any potential to significantly increase resources.

Satellite interpretation and reconnaissance field mapping investigations were also undertaken within the Exploration Licence during the first year.

Meetings, presentations and discussions took place between Thylacine and Chinalco and Chinese National Offshore Oil Company (CNOOC) with a view to encouraging them to become involved with exploration/appraisal of these oil shale deposits in the Railton and Latrobe areas.

Initial interest by CNOOC was high. However, as the Chinese economy worsened and world resource prices dropped CNOOC and Chinalco became less enthusiastic and finally during the third quarter, advised Thylacine that the size of these deposits (even if the whole of the Latrobe deposit were included) were now perceived as being too small to warrant further interest. They also advised that their interest had been dampened by the fact that any appraisal work they might undertake on the physical and chemical properties of the tasmanite oil shales would be restricted to these deposits alone and not apply to other world deposits. They also advised that the potential environmental problems of relocating farms etc. from any areas likely to be mined were considered to be high.

At the end of the third quarter, Thylacine concluded that although some small increases in likely shallow resources could be achieved, there was little chance of increasing the resources to a level which would be sufficient to allow these oil Shale deposits to become economic at present world energy prices.

As a result, just prior to the end of Permit Year 1, Thylacine made application to relinquish the whole of Exploration Licence 26/2011 in good standing.

This report summarizes exploration work carried out during Year 1 of the Licence and details the reasons for relinquishing the whole of the Licence prior to the end of Year 1 (11th September, 2012).

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Location of Tenement and brief description of Regional Geology

Location and Access

Exploration Licence (EL) 26/2011 was issued to Thylacine Hydrocarbons Pty Ltd on 12th September, 2011 for Category 2 and 5 minerals. The Licence covers an area of approximately 93 square kilometres and is located immediately south of the township of Railton in central-north Tasmania (Figures 1 & 2). The area lies about 25 km south of Devonport which is located on the north coast of Tasmania and access to the EL 26/2011 is via a good network of roads and tracks.

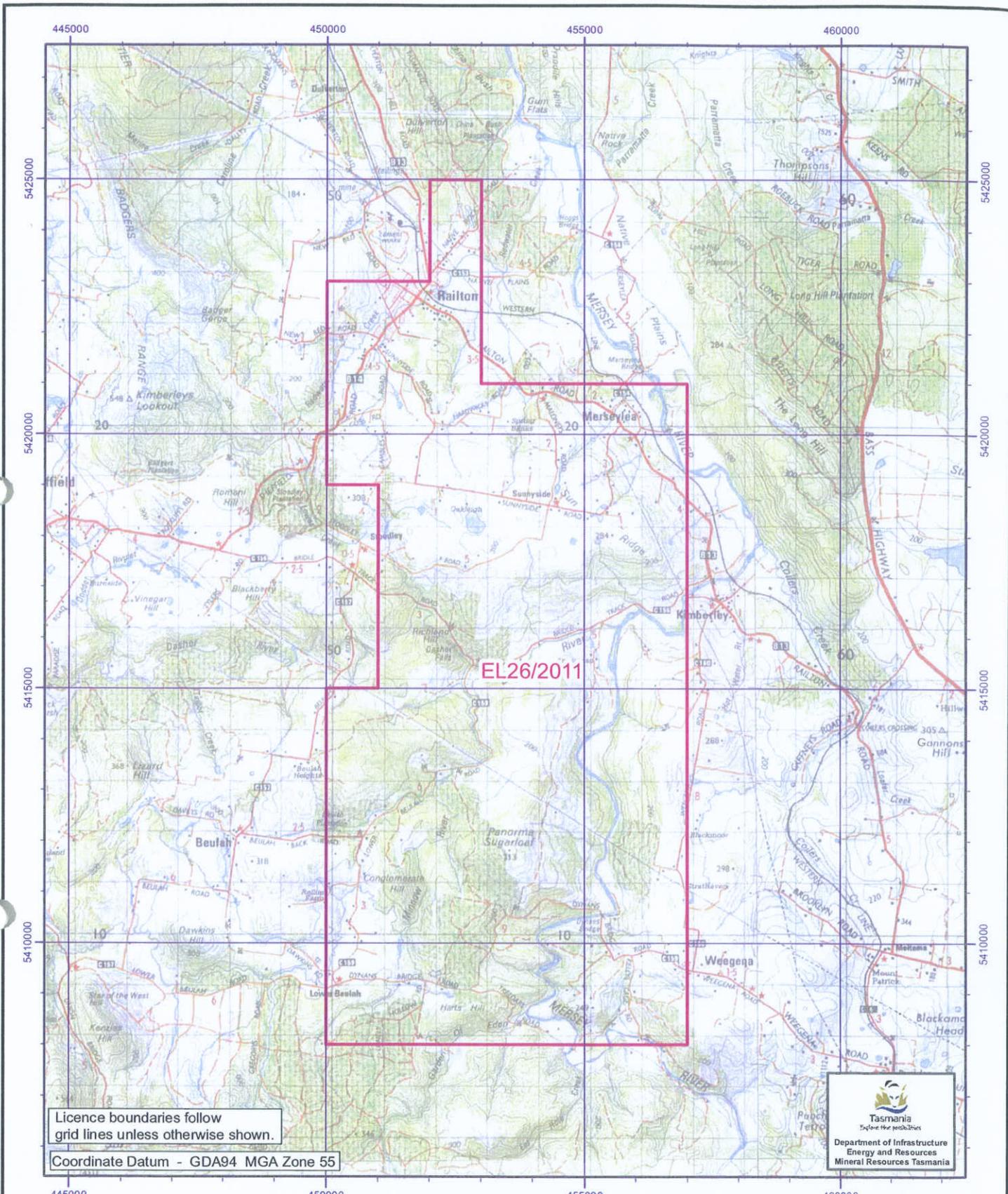
Brief Description of Regional Geology

Basement in the area of EL 26/2011 and in particular to the west and south of the area consist of folded rocks of the Cambrian aged Mount Read Volcanics and Cambrian to Ordovician aged sandstones, limestones and conglomerates.

Overlying these basement rocks is a sequence of glacio-marine sedimentary rocks of late Carboniferous to early Permian age known as the Lower Parmeener Supergroup. The sedimentary rocks of this Supergroup are relatively flat lying and contain the tasmanite oil shale as a horizon ranging from one to three meters in thickness and in the Latrobe area to the north and somewhat thinner in discontinuous deposits in the Railton area of EL 26/2011..

A discontinuous cover of Paleogene-Neogene aged basalt occurs above the Lower Parmeener Supergroup rocks in the area.

In the Latrobe-Railton area, the Permian beds are also extensively intruded by Jurassic dolerite dykes and sills and cut off by the Tertiary basalt flows mentioned above. (Mooney, 1975).



Licence boundaries follow grid lines unless otherwise shown.

Coordinate Datum - GDA94 MGA Zone 55

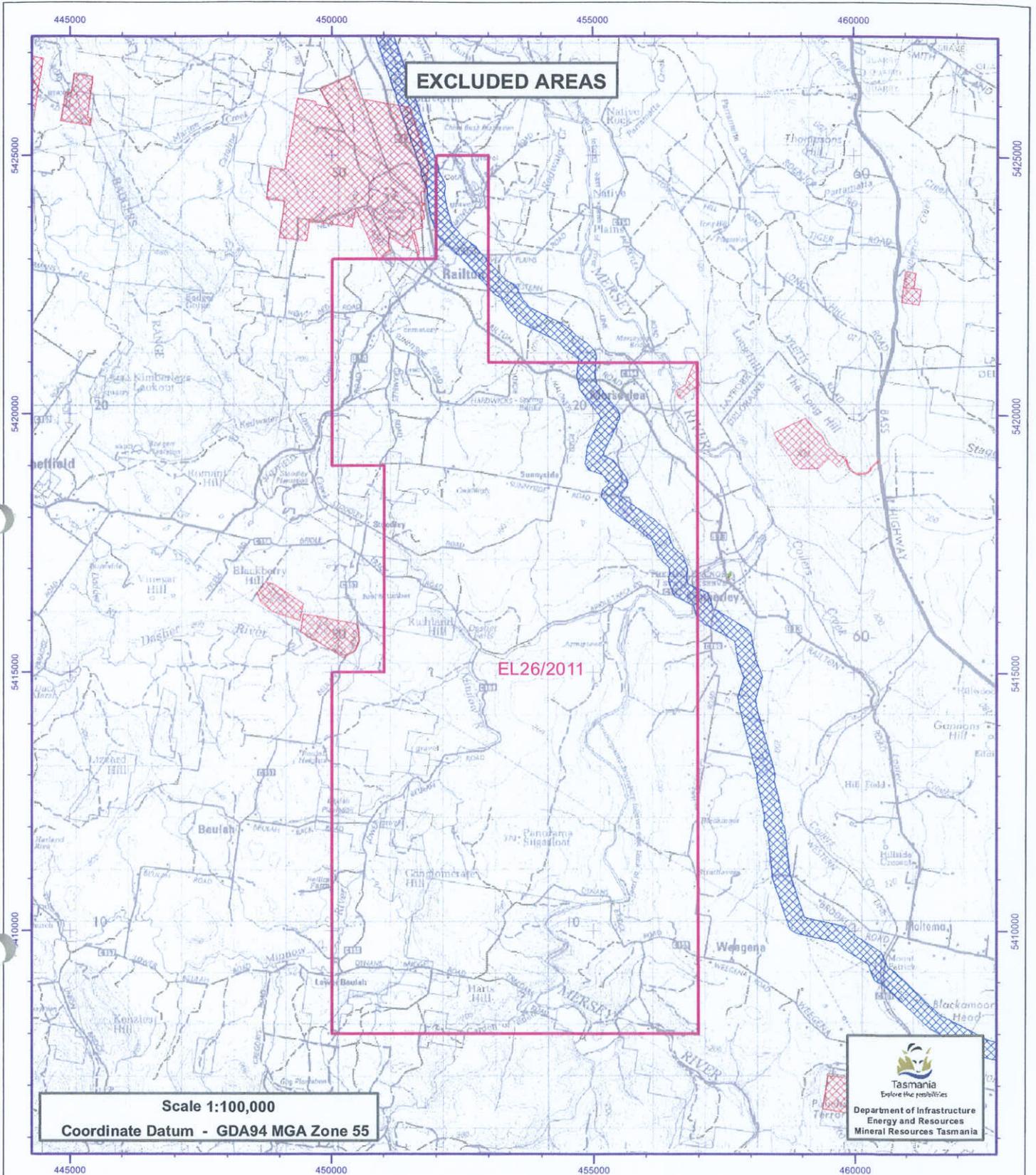


EL 26/2011 93km² VICINITY OF RAILTON **FIGURE 1 LOCATION MAP**



1:100000





Scale 1:100,000
 Coordinate Datum - GDA94 MGA Zone 55



Excluded Areas

- | | |
|--|--|
| Exempt Area | State Reserve |
| Mining Lease | Proposed State Reserve - CLAC |
| Retention Licence | Nature Reserve |
| Fossicking Area | Proposed Nature Reserve - CLAC |
| Fossil Site | National Park |
| Administratively Excluded Areas | Proposed National Park - CLAC |
| RAMSAR Site | Historic Site |
| Gas Pipeline Corridor | Proposed Historic Site - CLAC |
| Wellington Park | Game Reserve |
| Indigenous Protected Areas | Proposed Game Reserve - CLAC |
| Commonwealth Land | Conservation Area - Unavailable under MRDA |
| Private Reserve - Unavailable under MRDA | Forest Reserve - Unavailable under MRDA |

FIGURE 2 EXCLUDED AREAS

Relevant tenement land tenure / land management area indicated *

Note: Land Tenure is derived from the LIST and other sources and may be incomplete. Not all Land Tenure depicted in legend may appear on the map.



The Tasmanite Oil Shale

General

The Tasmanite Oil Shale occurs within the late Carboniferous to early Permian Lower Parmeener Super Group (within the upper part of the Spreyton Beds (Wilkinson, 2001) as a flat lying horizon up to 3 meters thick. The oil shale is a siltstone extremely rich in the spore *tasmanities punctatus*. The spores are discoidal about 0.3 to 0.5 mm in diameter (Wilkinson, 2001). The spores are generally flattened parallel to the bedding plane (Mooney, 1975) and welded together in overlapping layers (Wilkinson, 2001), often making the “shale” finely laminated and very fissile .

The cases of the spores are amber to red in colour and composed of kerogen which when heated yield a variety of oils. The colour of the spores gives the strata a characteristic light brown colour in the richer sections of the shale. The shale breaks easily parallel to the bedding plane but breaks unevenly and with difficulty across the bedding plane (Mooney, 1975).

History

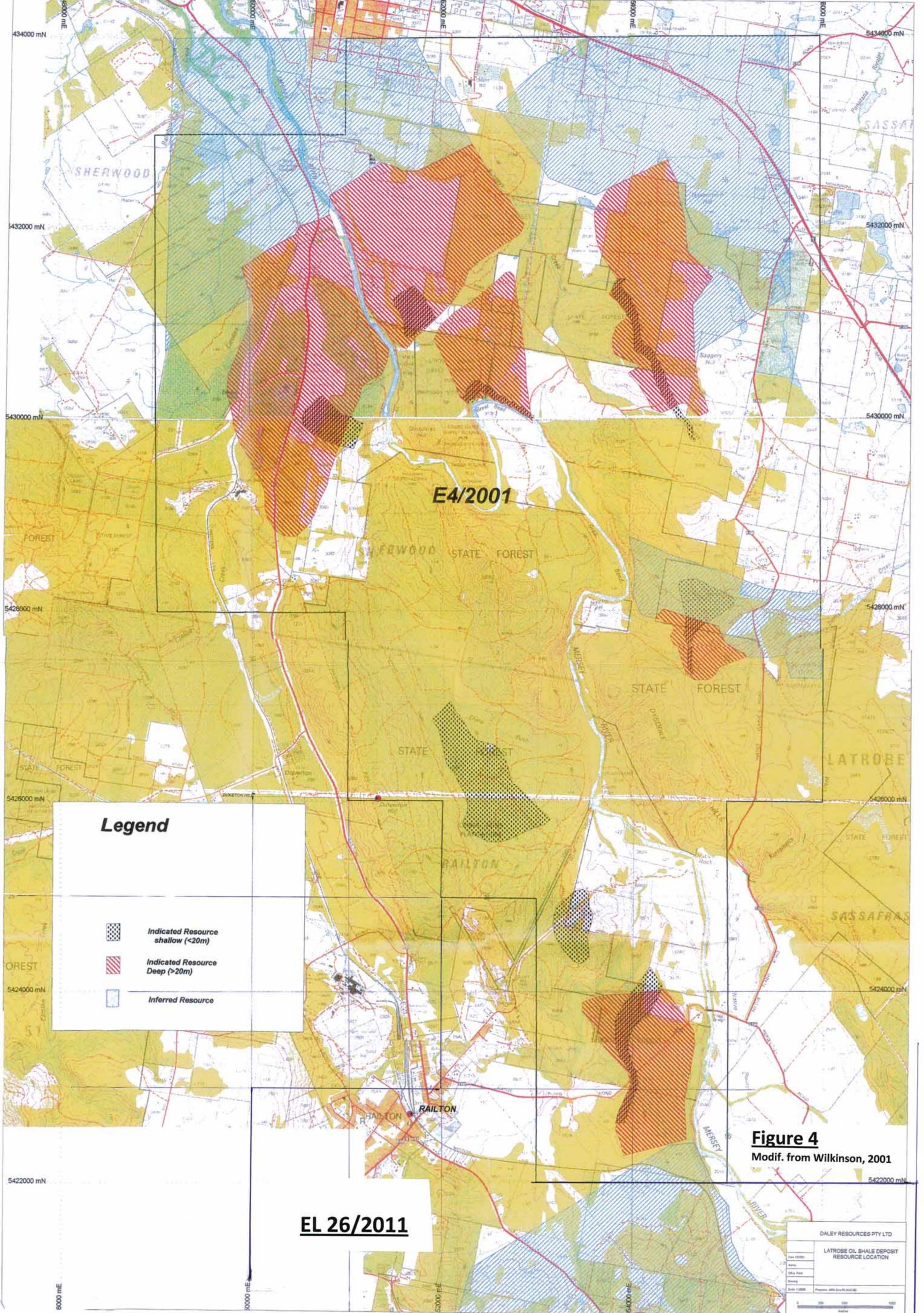
The Tasmanite Oil Shale deposits at Latrobe and Railton were discovered and worked intermittently until about 1930 by which time they had produced about 1.13 million litres of oil (Wilkinson, 2001). This production was from the “Great Bend area of the Mersey River (Areas II and III) and “China Flat” (Area V immediately to the east and north-east of Railton) (Figures 3 & 4 modified from Wilkinson, 2001 and Figure 5 from CRAE Report 11212, 1982).

Twelvetrees, 1911 was the first to document the deposit. Following a report to the Tasmanian Government in 1932 by the Tasmanian Oil Shale Investigation Committee, all the existing owners and Leesees at that time, except one, amalgamated to form the Tasmanite Shale Oil Company Limited (Wilkinson, 2001). Mooney, 1975 reports that a testing program was undertaken at the great Bend Deposit consisting of mining, retorting and refining but this operation was reportedly unsuccessful.

Laboratory research and Pilot Plant Processing has established that the oil spores containing the spores can be extracted from the crushed shale by Froth Floatation to produce a concentrate that could be converted to bitumen (Mooney, 1975 and Wilkinson, 2001).

As far as drilling is concerned, (Wilkinson, 2001) reports the following:-

25 drill holes by Australian Shale Oil Corporation	in 1925
12 drill holes by Australian Shale Oil Corporation	in 1928
18 drill holes by Latrobe Shale Oil Company	in 1930



E4/2001

EL 26/2011

Legend

-  Indicated Resource shallow (<20m)
-  Indicated Resource Deep (>20m)
-  Inferred Resource

Figure 4
Modif. from Wilkinson, 2001

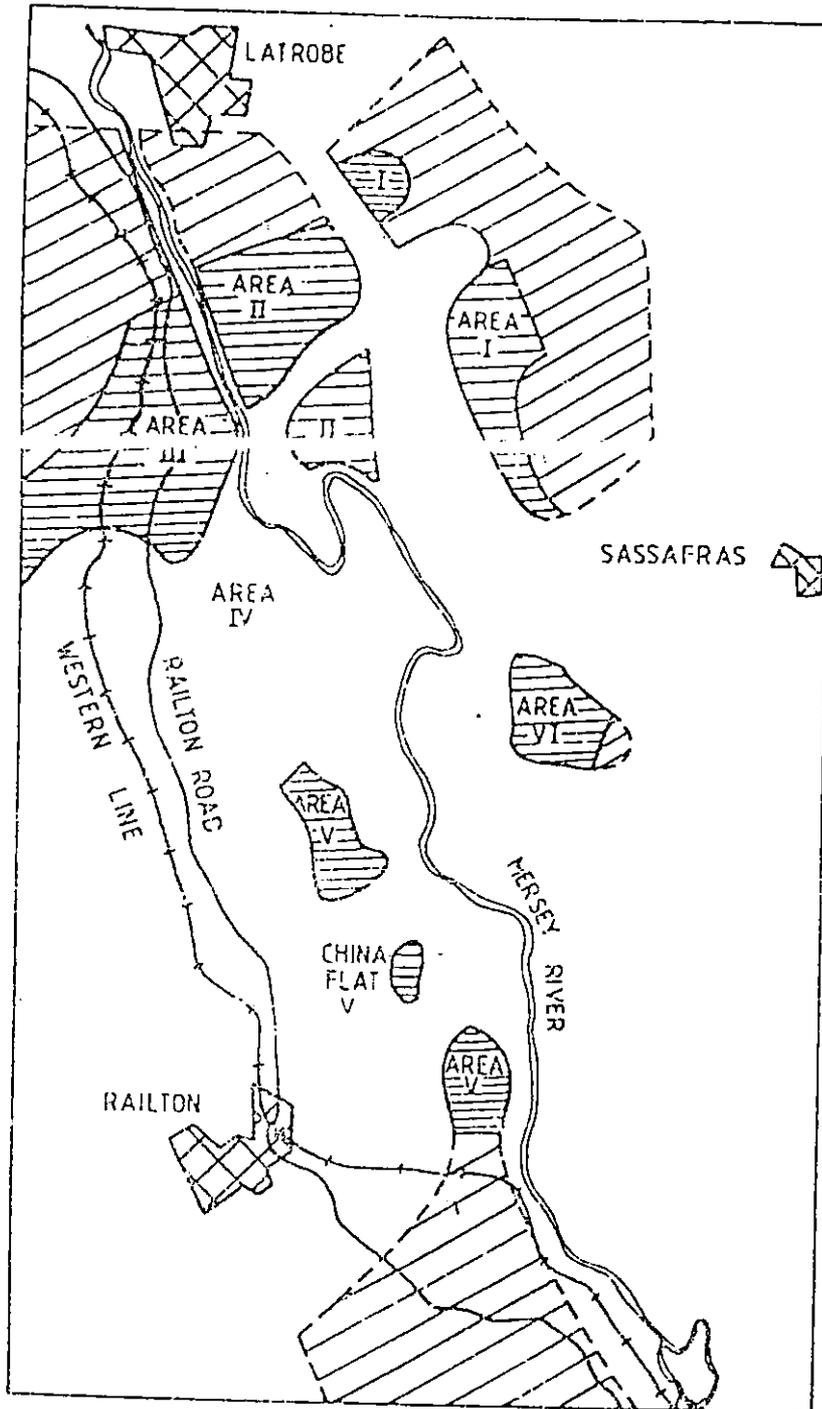
DALEY RESOURCES PTY LTD	
LATROBE OIL SHALE DEPOSIT RESOURCE LOCATION	
Scale 1:25000	Project: 400-010-01-000-00
Author:	
Client:	
Date:	
	

OIL SHALE OCCURRENCE LATROBE - RAILTON

FIGURE III

SOURCE CRAE REPORT No 11212 (1982)

Figure 5



LOCALITY	AV THICKNESS (METRES)	INDICATED RESOURCE (MILLION TONNES)		POTENTIAL RESOURCE (MILLION TONNES)
		OPEN CUT <20m	DEEP >20m	DEEP >20m
AREA I	14	0.6	6.7	9.3*
AREA II	1.8	0.7	11.6	7.0
AREA III	1.8	0.7	13.8	10.0*
AREA IV	NOT ADEQUATELY TESTED	RESOURCE BELIEVED TO BE MINIMAL		
AREA V	1.7	1.5	2.0	7
AREA VI	1.25	1.6	1.9	6.9
TOTAL		6.0	36.0	27.2

16 drill holes by the Tasmanian Mines department in 1933

26 drill holes by the Tasmanian Mines department in 1940-41

Between 1974 and 1989 the deposits were investigated by Endeavour Oil Company N L (later renamed Endeavour Resources Ltd) and CRA with the following drilling programs:-

46 drill holes totalling 1041 metres by Endeavour

135 drill holes totalling 5,051 metres by CRA most of which were geophysically logged (Clementson, 1981).

Endeavour also had technical research undertaken by CSIRO and other agencies and CRA had Proximate Analyses undertaken at AMDEL on both "as received " and "Moisture Free Basis".

Analysis of the Oil Shale

The Location of the drill holes and the resources in the Latrobe/Railton areas is shown in Figures 3 and 4 modified from Wilkinson, 2001.

Testing of oil shale samples from Latrobe by CSIRO yielded the following (directly from Wilkinson, 2001) :-

PROXIMATE ANALYSES (Air Dried Basis)

<u>Flotation</u>	<u>Demineralized</u>	<u>Demineralized</u>	<u>Barren Shale</u>	<u>Sample</u>
<u>Concent.</u>	<u>Flotation Conc.</u>	<u>Oil Shale Area V</u>		
%	%	%	%	%
3.5	4.6	1.0	2.0	Moisture
32.6	7.0	24.7	93.3	Ash
60.2	82.4	67.4	3.7	Volatiles
3.7	6.0	6.9	1.0	Fix Carbon

GRAY KING ANALYSES (Air Dried Basis)

<u>Sample</u>	<u>Flotation</u>	<u>Demineralized</u>	<u>Demineralized</u>
	<u>Concentrate</u>	<u>Flotation Conc.</u>	<u>Oil Shale Area V</u>
	<u>%</u>	<u>%</u>	<u>%</u>
"Coke"	41.9	14.1	39.4
Tar & Water	50.9	77.9	48.3
Gas	7.2	8.0	12.3

FISCHER ASSAY RESULTS (Air Dried Basis)

<u>Sample</u>	<u>Flotation</u>	<u>Demineralized</u>	<u>Demineralized</u>	<u>Barren</u>
	<u>Concentrate</u>	<u>Flotation Conc.</u>	<u>Oil Shale Area V</u>	<u>Shale</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
"Coke"	43.9	19.7	40.1	96.4
Tar and Water	40.1 & 7.5	70.9	47.1	0.3 & 3.0

Defined Resources of Latrobe/Railton Areas

The Indicated and Inferred Resources of the Latrobe/Railton Oil Shale Deposits have been determined by a number of authors and the following has been taken directly from Wilkinson, 2001 who refers to the work of Sofoulis, 1988.

<u>Locality after</u>	<u>Indicated Resource</u>	<u>Indicated Resource</u>	<u>Inferred Resource</u>
<u>Sofoulis Fig.5.</u>	<u>O.C. < 20m depth</u>	<u>Deep > 20m depth</u>	<u>Deep > 20m</u>
	<u>Mt</u>	<u>Mt</u>	<u>Mt</u>
I	0.6	6.7	9.3
II	0.7	11.6	7.0
III	0.7	13.8	10.0
IV	N/A	N/A	N/A
V	3.5	2.0	2.8 ?
VI	0.6	1.9	0.9
TOTAL	6.0	36.0	30
Contained Oil*	0.7 Mt	4.4 Mt	3.6 Mt
Contained Oil**	780mega.L	4,680mega.L	3,900mega.L
Contained Oil ***	5 MMbbls	29 MMbbls	25MMbbls

*Specific Gravity of oil=0.934

**Average oil content by Fischer Method= 130 l/t

***1 US barrel =159 litres

Potential Uses of oil from the Tasmanite Oil Shale Deposits

According to Wilkinson, 2001, Sofoulis, 1988 referred to an in depth study by the Planning and Public Affairs Group of the Hydro Electric Commission of Tasmania in September, 1987 which stated that "Processes exist which would enable the Oil Shale to be mined and retorted to yield shale oil which could be hydro-treated to yield a petroleum equivalent which could then be refined to yield the full range of transport fuels required by Tasmania".

Investigations by CSIRO have confirmed that the Tasmanite Oil Shale is readily upgradeable by physical beneficiation such as froth flotation.

Wilkinson, 2001 comments that the deposits could either be used as a source of fuel or bitumen for road making or both.

Summary of Exploration Work carried out by Thylacine

During the first three quarters of Year 1, Thylacine Hydrocarbons Pty Ltd carried out the following work:-

- Thylacine obtained all previously available data and reports on the area of EL 26/2011 as well as the Oil Shale Deposits in the Latrobe area to the north-east of EL 26/2011 (E4/2001).

Included in this data acquisition was satellite data over the area, but all of this data was not received until the beginning of the third quarter.

- All of the previous reports and data including the satellite images were assessed and evaluated by Thylacine's geologists and engineers.
- Reconnaissance Field Mapping was carried out on a number of occasions by two geologists to determine whether there was a reasonable possibility of future exploration drilling proving up significant oil shale reserves within EL 26/2011.
- Results of evaluations and mapping mentioned in 2 and 3 above were presented on numerous occasions to Technical and Management personnel from CNOOC and Chinalco.

Discussion of Results

Reconnaissance Field mapping showed that potential existed for additional oil shale reserves to be present within EL 26/2011, but that the potential would certainly be restricted to say less than twice the existing potential identified in the Latrobe deposits to the north and north-east.

Initial interest by CNOOC and Chinalco was high, but as the Chinese economy worsened and world resource prices dropped, they became less enthusiastic about the Tasmanite Oil Shales. In fact by the end of the third quarter, CNOOC had advised Thylacine that the size of these deposits (even if the Latrobe Deposits were included) were now perceived by them as being too small to warrant their further interest. They advised that their interest had also been dampened by the fact that potential environmental problems associated with further exploration drilling and appraisal work were considered to be high.

CNOOC also advised that they were more interested in participating in energy projects which were :-

- Applicable worldwide and not restricted to Tasmanite Oil Shales
- Very large overall potential
- Proven to be economically productive in other parts of the world

It is interesting to note that CNOOC has agreed to expend significant sums of money on Shale Oil and Shale Gas in areas held by ASX listed Exoma Energy Limited in the Eromanga Basin onshore Queensland (see Appendix 1). The reduction of interest in EL 26/2011 appears to be related not only to the drop in the Chinese economy but also the decision by CNOOC to participate in Exoma's Exploration Permits.

By the end of the third quarter Thylacine had made a decision that if no further interest by third parties could be achieved it would relinquish/surrender the whole of EL 26/2011. Attempts to interest either CNOOC or other third parties during the fourth quarter were unsuccessful and just prior to the end of Permit Year 1, Thylacine made application to surrender the whole of EL 26/2011 in good standing.

Environmental Disturbance.

As the only exploration work carried out on the Area of EL 26/2011 was reconnaissance geological mapping, no disturbance what so ever occurred to the land.

Expenditures

During Year 1 of EL 26/2011 work undertaken by Thylacine Hydrocarbons Pty Ltd was to a total value of \$89,578.00.

The reason for the expenditures not reaching the estimated \$300,000 was that it had become obvious before the end of the third quarter of Year 1, that CNOC had decided not to proceed with the project and Thylacine then went about trying to entice other parties into the area. When those efforts were unsuccessful the Licence was surrendered completely.

APPENDIX 1

Announcement of CNOOC taking a key shareholding in Exoma Energy Limited and increasing Permit interest via a minimum A\$ 23.4 Million strategic investment and expenditure in Shale Oil and Shale Gas Areas onshore Queensland.

10 September 2012

ASX Announcement

CNOOC take a key shareholding in Exoma and increase permit interests via minimum AUD\$23.4 million strategic investment and expenditure

Key Points:

- CNOOC to increase stake in Exoma's Australian ATP's from 50% to 60% under a supplemental farmin with CNOOC carrying \$12.7 million of Exoma's share of joint venture expenditure;
- CNOOC to subscribe for approximately 13% of Exoma issued capital, being 62,103,664 shares, at 17.2c per share to raise AUD\$10.7 million; and
- At CNOOC's option, and subject to shareholder approval, CNOOC to subscribe for additional shares at 17.2c per share to take CNOOC shareholding in Exoma to a maximum of 19.9%.

Australian oil and gas company Exoma Energy Limited (ASX:EXE) ("Exoma" or "the Company") is pleased to announce that it has executed a Supplemental Farmin Agreement and a Subscription Agreement, with a minimum combined value of approximately AUD\$23.4 million, with China National Offshore Oil Corporation via its Australian subsidiary, CNOOC Galilee Gas Company Pty Ltd (CNOOC).

On the execution of these strategic agreements Exoma Chairman, Mr Brian Barker, said:

"We are very pleased to further strengthen our relationship with CNOOC and view this additional investment as indicative of CNOOC's strong support for our exploration program and our assessment of the resource potential of our permits."

"With funding for our exploration program for 2013/14 now secured, we are excited about unlocking the value we believe to be inherent in our portfolio of permits.

"Most importantly, the introduction of CNOOC as a significant shareholder in Exoma, with an initial shareholding interest of approximately 13%, is a further demonstration of the shared vision of Exoma and CNOOC as we progress our exploration and appraisal activities."

Supplemental Farmin Agreement

Under the terms of the Supplemental Farmin Agreement, CNOOC will increase its participating interest from 50% to 60% in Exoma's ATP's 991, 996, 999, 1005 and 1008 and, subject to grant, new ATPs 1127, 1130, 1137 and 1150, situated in the Galilee and Eromanga Basins in Central Queensland (see Map 1).

CNOOC will earn its additional 10% interest by contributing a further AUD \$12.7 million towards Exoma's share of exploration and appraisal expenditure during the Additional Farmin Period, which expires on 31 December 2015.

This Supplemental Farmin Agreement follows on from the Farmin Agreement entered into by Exoma and CNOOC in December 2010 under which CNOOC agreed to fund AUD\$50m towards exploration and appraisal costs to earn its original 50% interest in Exoma's ATPs (refer ASX announcement dated 9 December 2010 for full details).

Strategic Placement via Subscription Agreement

CNOOC has simultaneously entered into a Subscription Agreement whereby it will acquire 62,103,664 Ordinary shares in Exoma at 17.2c per share, for a total consideration of approximately AUD\$10.7 million. This placement, which is at a significant premium to current market share price, is based on the 90 day VWAP to close of business on 10 August 2012, plus 25%. On completion, it is expected that CNOOC will hold approximately 13% of the current issued capital of the Company. So long as CNOOC holds more than 9% of the issued shares in the company, CNOOC has the right to appoint a director to the board.

In addition, Exoma has agreed, subject to shareholder approval, to issue additional shares at 17.2c per share to take CNOOC's holding in Exoma up to 19.9%. CNOOC has an option which must be exercised within five days of completion of the initial placement to nominate the number of shares to be issued by Exoma under this part of the agreement. On receiving CNOOC's nomination, Exoma will seek shareholder approval to issue the new shares.

Conditions

Both agreements are conditional upon approval and consents from the Chinese Government Authorities, FIRB approval of the transaction, and indicative approval from the Queensland Government to the assignment of the interests in the issued ATP's. The conditions are required to be satisfied by 31 December 2012.

About CNOOC:

The CNOOC Gas and Power Group is part of the China National Offshore Oil Corporation (CNOOC) which was founded in 1982 and is one of the largest State owned oil entities in China, as well as being the largest offshore oil and gas producer. Headquartered in Beijing, CNOOC has a total staff of over 100,000. CNOOC is China's dominant producer and importer of liquefied natural gas ("LNG").

CNOOC has a long term commitment to investment in Australian energy resources and in particular the LNG Coal Seam Gas projects in Queensland. CNOOC has acquired a 5% interest in British Gas/QGC's CSG tenements in the Surat Basin and a 10% equity interest in one of the first two LNG Trains to be built by BG in Gladstone. CNOOC has also entered into an agreement with BG to buy 3.6mtpa of LNG from the proposed Gladstone LNG Plant.

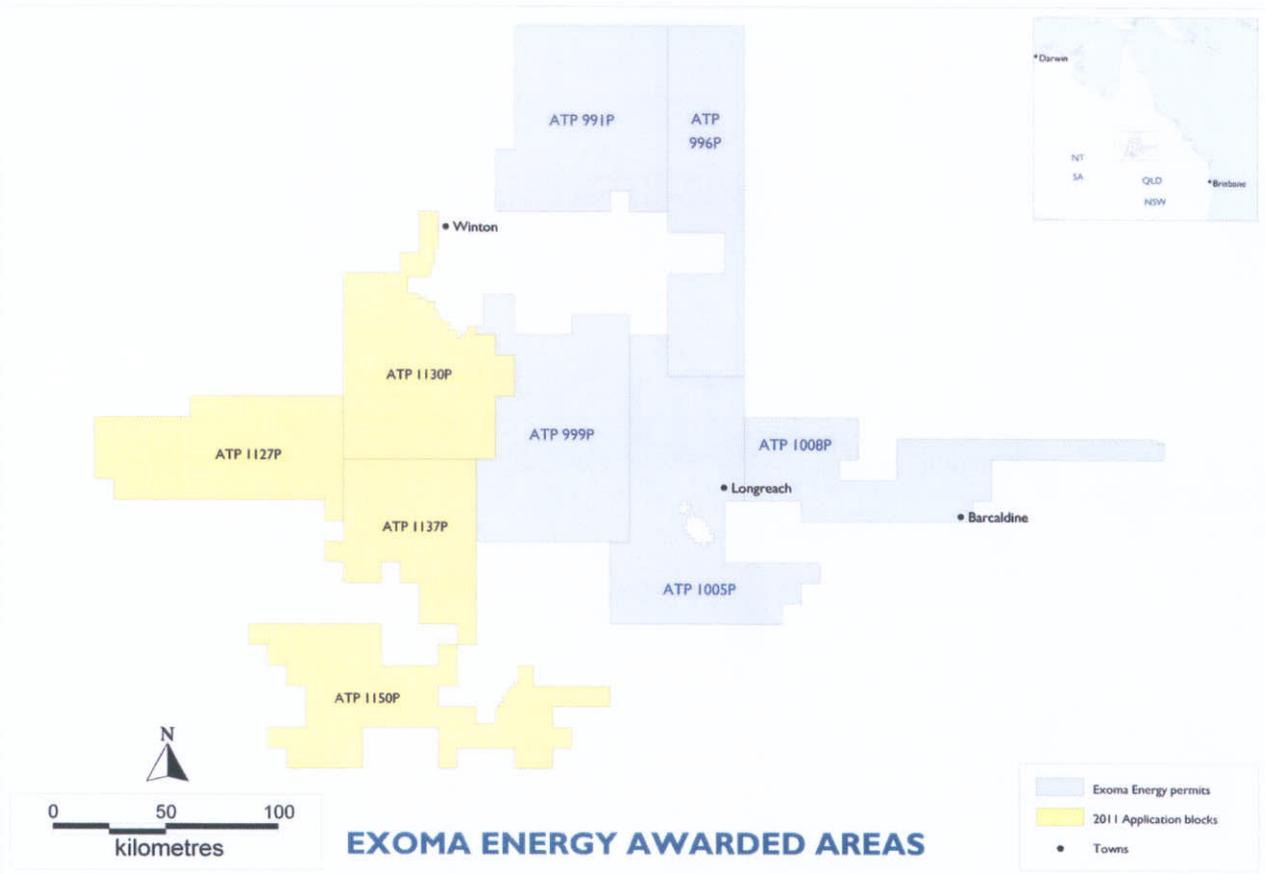
CNOOC holds a 5.3% interest in the North West Shelf Gas project and a 25% interest in certain offshore exploration permits in Western Australia where the JV is conducting a significant exploration program.

About Exoma:

Exoma is a Brisbane based, ASX listed energy company primarily focussed on its five 100% owned petroleum exploration permits in Queensland's Galilee and Eromanga Basins. Exoma was recently offered an additional four permits in the Galilee and Eromanga Basins covering a combined area of approximately 19,000 square kilometres, with CNOOC having the right to take up a 50% interest in each of these new permits, once awarded. These four permits are yet to be awarded and are subject to native title negotiations. Assuming these four permits are awarded, the overall area of the nine permits will be in excess of 46,000 square kilometres.

and is pursuing shale oil and gas, conventional oil and work has been done on each of these hydrocarbon risk and commercialise these resources.

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