

HUGHES AND HUGHES AUSTRALIA PTY LTD

PETROLEUM EXPLORATION LICENCE 105 SOUTH AUSTRALIA

FIRST ANNUAL REPORT FOR THE YEAR ENDED 23rd APRIL 2004

GENERAL

PEL 105 was granted on 23rd April 2003 for a five (5) year term. The operator at the time the permit was granted was Amity Oil Limited. On the 6th June 2003 Hughes and Hughes Australia Pty Ltd acquired Amity Oil Limited interests and assumed operator.

Regulations under the Petroleum Act 2000 require the following to be included in this report.

Regulation 33 (2) (a) Regulated Activities conducted

No regulated activities were planned for the first permit year. The operator sought and was granted permission to bring forward one of the year two guaranteed wells to be drilled in year one. Drilling did not commence in year one.

Regulation 33 (2) (b) Compliance with the Act, Regulations, Licence conditions and relevant statement of environmental objective (SEO)

PEL 105 has complied with the above. As no seismic operations were carried out the relevant SEO is the Drilling and well operations in the Cooper/Eromanga Basin South Australia dated August 2000.

Regulation 33 (2) (c) Non-compliance with obligations imposed by the Act

No non-compliances occurred in relation to PEL 105.

Regulation 33 (2) (d) Management System Audits

No audits of Management Systems associated with PEL 105 were undertaken.

Regulation 33 (2) (e) Reports generated relevant to the operation of the Act

An Environmental Risk and Compliance report associated with the proposed drilling of Beeville #1 exploration well was commenced during the year.

Regulation 33 (2) (f) Incidents reported to the Minister

No incidents occurred during the licence year.

Regulation 33 (2) (g) Foreseeable threats that reasonably present a hazard to facilities or activities

There are no threats to facilities or activities which are not already covered in the Environmental Risk and Impact report prepared for the drilling of Beeville #1 exploration well.

Regulation 33 (2) (h) Operation proposed for the second year of PEL 105

Drill one exploration well – Beeville #1

ANNUAL REPORT PEL 105 (Continued)

Regulation 33 (3) Expenditure on regulated activities

COMMERCIAL IN CONFIDENCE