

22 May 2006

Directors
Allied Oil & Gas Plc
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St Ouen, Jersey, JE3 2FB
Channel Islands.

Dear Sirs,

Re: Allied Oil & Gas Plc, Exploration Permit 416, Western Australia

Executive Summary

EP416 extends from 70 kilometres south of Perth, Western Australia, to the Great Australian Bight. It is adjacent to the city of Bunbury and the Kemarton industrial complex. The permit covers the Bunbury Trough of the southern Perth Basin, which contains thick marine and non marine sediments of Permian to Cainozoic age. This area is considered prospective for hydrocarbons, most likely gas, from Permian or possibly Jurassic age sands. A non commercial gas field is present, near but outside the permit, and a number of gas shows are reported in the area.

The permit contains a 4-way dip closure mapped from 1969 seismic data called the Wellesley prospect. This prospect requires additional seismic definition, which is planned for the first quarter of 2007. As mapped, the Wellesley prospect has the potential to contain recoverable gas of 155 billion cubic feet.

Allied Oil & Gas Plc has agreed to farm in to EP416, and will earn a 20% interest by contributing A\$0.5 million towards the seismic programme, and will have the option to earn a further 60% by contributing A\$5.0 million towards the cost of drilling Wellesley 1.

In our opinion the exploration programme proposed by Allied in EP416 addresses a valid target and is both technically and financially justified.

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1 Introduction

By letter dated 5 April 2006, ResourceInvest Pty Ltd has been requested by Allied Oil & Gas Plc ("Allied") to provide a Competent Person's Report with respect to Exploration Permit EP416 located in the Perth Basin of Western Australia. Allied is acquiring a 20% interest in EP416 from Empire Oil & Gas NL ("Empire") by contributing to future exploration costs, with the option to acquire up to 80%. We understand that Allied is acquiring interests in two other permits that are the subject of a separate Competent Person's Report. This asset is summarised in Table 1

Table 1. Summary details EP416

Asset	EP416, Perth Basin, Western Australia
Operator	Empire Oil & Gas NL
Interest	Allied earning 20% with option to earn 80%
Status	Exploration
Expiry Date	26 August 2006
Licence area	3,954
Comments	Renewal anticipated for six years from 26 August 2006

Exploration Permit EP416 consists of 54 graticular blocks covering an area of 3,945 square kilometres in the southern part of the onshore Perth Basin (Figure 1). The permit was awarded on 26th August, 1999 for a six year period, and. Empire Oil Company (WA) Limited, a wholly owned subsidiary of Empire Oil & Gas NL, is 100% permit holder and operator. The permit extends from 70 kilometres south of Perth, south past the city of Bunbury to the Great Australian Bight. The Bunbury Highway, an all weather sealed road; and the Perth - Bunbury Natural Gas Pipeline transverses north-south through the northern half of the permit.

Permit conditions have been varied for year 5 and year 6 of the permit term by the Western Australian Department of Industry and Resources. These variations comprise both a change in permit commitment and an extension to the permit obligations.

The year 5 and year 6 commitments were varied to the following requirement:

Year of term of Permit	Minimum work requirement	Indicative minimum expenditure
5	Environmental studies	\$50,000
6	Environmental studies	\$50,000

A total twelve month suspension has been granted for the Year 5 commitment (to 25 August 2005), and a total twelve month extension to the term of the permit has been granted to 26 August 2006.

Empire Oil Company (WA) intends to apply to renew EP416 prior to August 2006, and commit to a 50 kilometre Wellesley 2D seismic survey in Year 1 and one exploration well in Year 2.

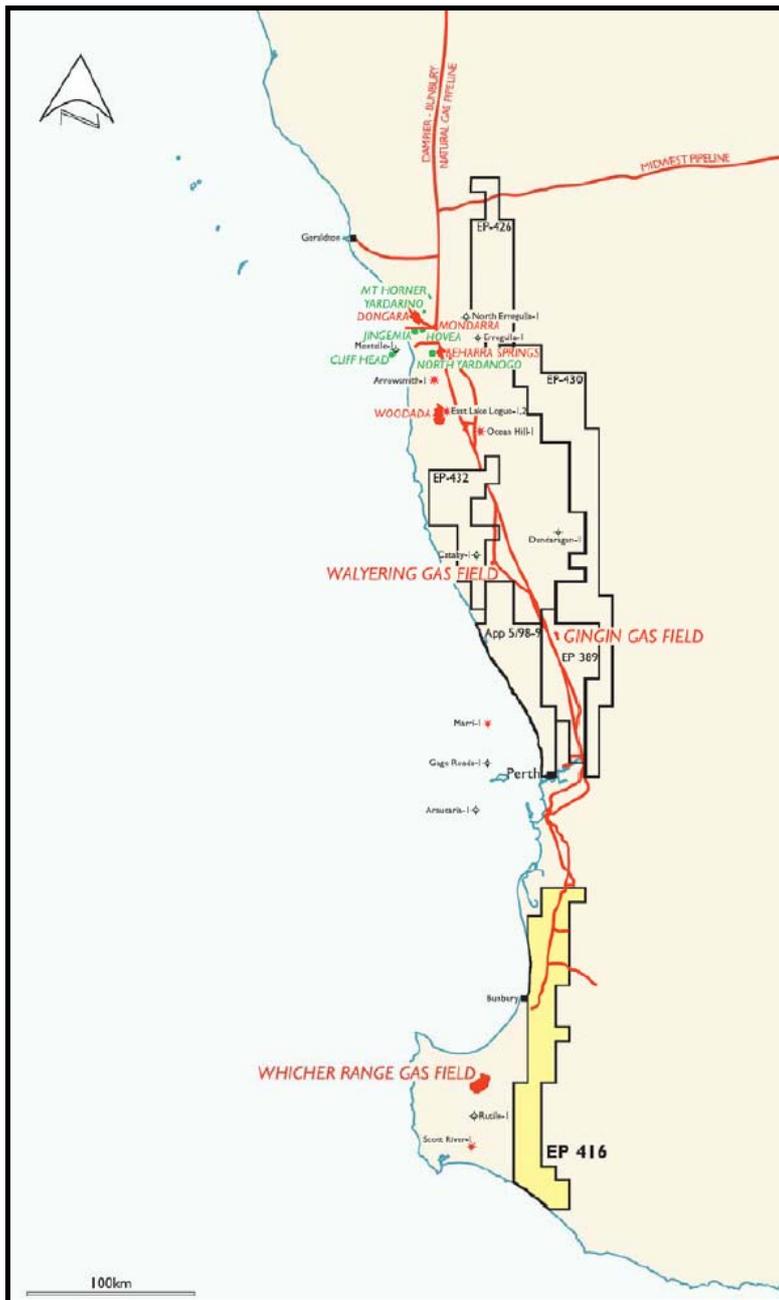
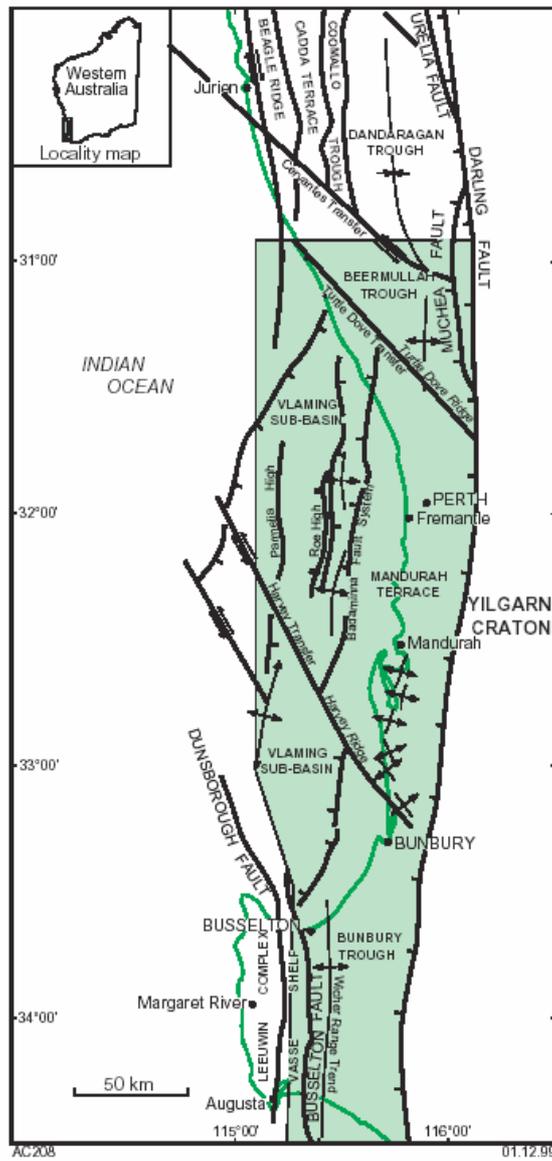


Figure 1. EP416, southern Perth Basin.

2 Regional geology and prospectivity

The Perth Basin is a rift related north-south elongate trough, approximately 1,000 kilometres long and containing up to 15 kilometres of Permian to Cainozoic marine and non-marine sediments. About half the basin lies offshore. It is well defined to the east by the Darling Fault and extends offshore where its margin is open to the Indian Ocean, except in the south where the Precambrian Leeuwin Complex marks its western boundary (Figure 2). Offshore to the south it is bounded by an east trending transcurrent fault interpreted from gravity data.

The onshore portion of the basin consists largely of the north trending Danadaragan and Bunbury Troughs, which occupy the northern and southern parts of the basin respectively. EP416 covers most of the Bunbury Trough, which is bounded to the west by the Busselton Fault and to the east by the Darling Fault that separates it from the Yilgarn Craton (Figure 2).



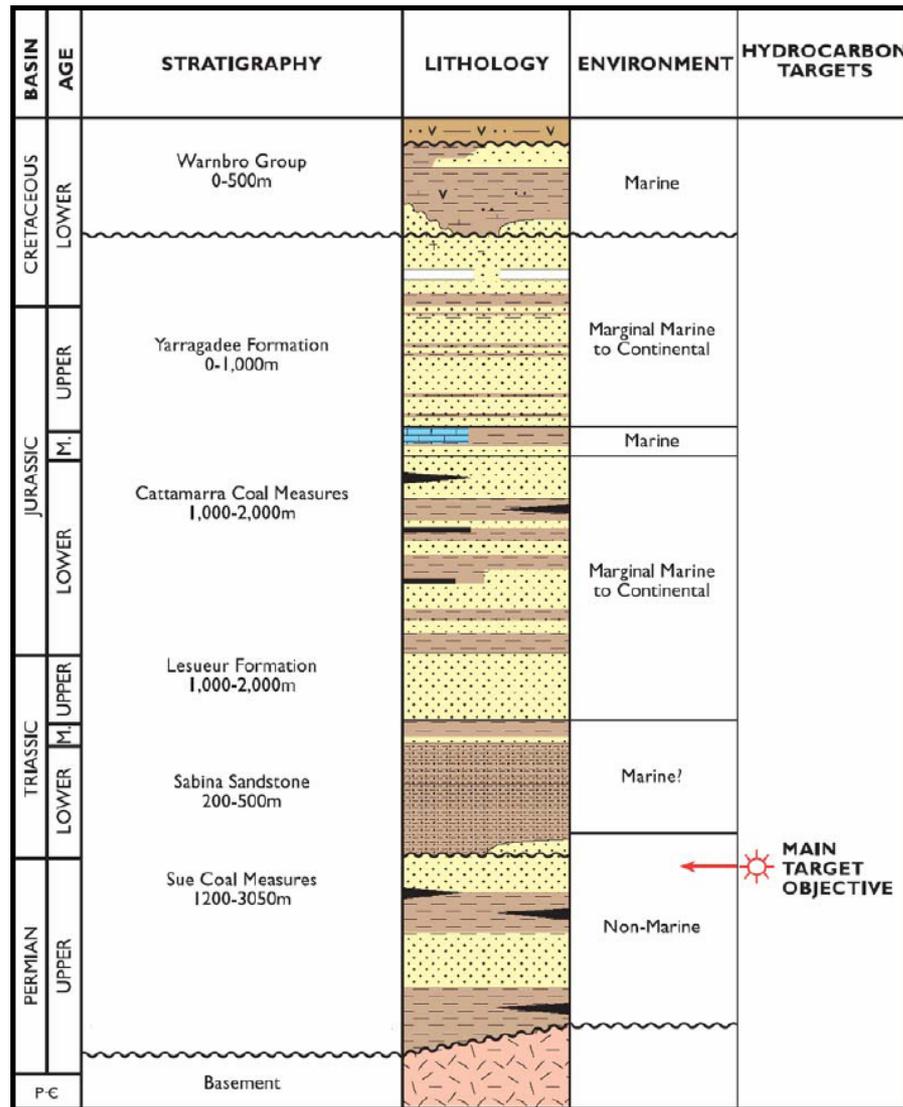
Up to 11,000 metres of sediments are interpreted within the trough, deepening toward the Darling Fault.

Figure 2. Southern Perth Basin structural elements (Crostell & Backhouse, 2000).

To the north, the Bunbury Trough is separated from the Mandurah Terrace by the Harvey Ridge. The trough shallows to the south where it reaches the continental margin. Crostell & Backhouse (op cit) report a large number of strike-slip induced compressional anticlines, probably formed as a result of limited relief to tectonic stresses in the relatively narrow trough between the two basement highs, of the Leeuwin Complex and Yilgarn Craton.

The generalised stratigraphy of the southern part of the Perth Basin is illustrated in **Figure 3. Error! Reference source not found.** Pre-rift sedimentation began during the Permian to Early Triassic with intracratonic downwarping and mostly marine deposition. Non-marine environments were present in the south with the deposition of the Sue Coal Measures. The Sue Coal Measures, or Sue Group, is subdivided into five formations that in ascending order are the Woodynook Sandstone, Rosabrook Coal Measures, Ashbrook Sandstone, Redgate Coal Measures, and Willespie Formation.

Figure 3. Southern Perth Basin Stratigraphy



Rifting commenced towards the end of the Early Triassic and the Sabina Sandstone was deposited conformably over the Willespie Formation. It is overlain by the fluvial to continental sedimentation that comprise the Lesueur Sandstone. Rifting and non-marine sedimentation continued into the Jurassic with the continental Eneabba Formation in the north and central parts of the basin and the swamp, marsh and lacustrine environments of the Cattamarra Coal Measures in the southern part of the basin. The Cattamarra Coal Measures contains coarse-grained quartz sandstone interbedded with dark carbonaceous fine-grained clastic rocks and thick coal seams. The Yarragadee Formation directly overlies the Cattamarra Coal Measures and is an Upper Jurassic sandstone succession of fluvial origin. At the top of the Yarragadee Formation, and previously included as part of it, is the Parmelia Group (Crostella & Backhouse, op cit), a predominantly sandstone successions deposited in the Tithonian and Berriasian immediately prior to early Neocomian break-up. The following late Neocomian Warnbro Group represents a predominantly marine unit of late Neocomian – early Aptian age that transgressed over the faulted and eroded Parmelia Group. Post Aptian, passive margin deposition, comprised progradational shallow-water, mainly carbonate rocks.

2.1 Hydrocarbon potential

2.1.1 Reservoir

Permian, Triassic, Jurassic and early Neocomian rocks in the Perth Basin are all characterised by high siliclastic composition with good reservoir potential (Crostella & Backhouse, op cit). In the southern Perth Basin, the Upper Permian can be expected to provide good reservoir characteristics, although these can be compromised by depth. The Triassic Sabina Sandstone and Lesueur Formation retain good porosity and permeability at depth. Sands within the Jurassic Cattamarra Coal Measures are thick, with good porosity at shallow depth.

2.1.2 Seals

Intra-formational seals are required in the southern Perth Basin since the Kockatea Shale, the regional seal in the north of the basin, is absent here, instead represented by the Sabina Sandstone. While this lack of regional seal represents the main risk to exploration, intra-formational seals are demonstrated in the basin in the Permian Sue Group and the Cattamarra Coal Measures. The viability of intra-formational seals, which may be of limited thickness, will, however, decrease with the presence of crestal faulting.

2.1.3 Source

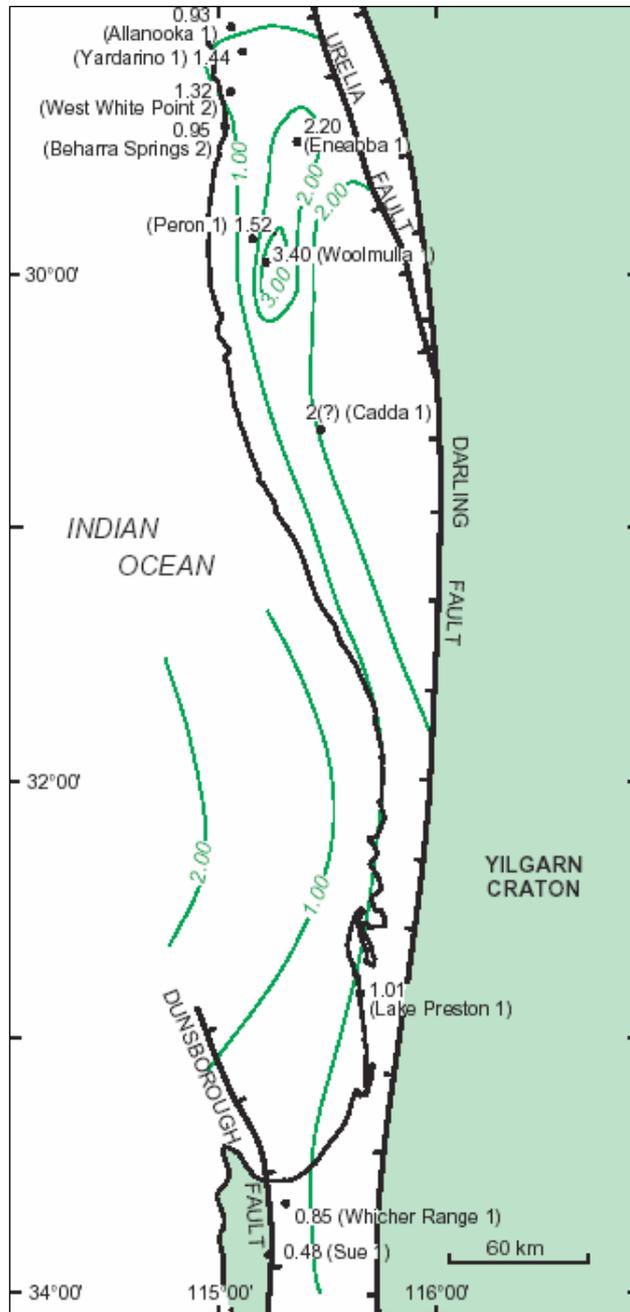
Coal seams and carbonaceous shales of the Lower Permian Rosabrook and Redgate Coal Measures are considered to provide the source material for the Permian gas occurrences in the southern Perth Basin. These units also have some potential to generate oil. These coal seams and carbonaceous shales preserve significant volumes of terrigenous organic matter derived from plant debris.

Crostella & Backhouse (op cit) provide a maturity (vitrinite reflectance) map of the Top Permian that shows the whole of the basin is mature for hydrocarbons (Figure 4).

2.1.4 Traps

Although a number of trap types are either present or can be expected in the basin, simple compressional anticlines are the most common and offer the lowest risk target. Unfaulted anticlines can provide reliable traps that require only thin seals. Fault breaching of anticlines represent the major risk to trapping.

Figure 4. Vitrinite reflectance map of the Top Permian in the Perth Basin (Crostella & Backhouse, op cit).



3 Previous Exploration in the Southern Perth Basin

In 1968, Union Oil discovered gas in the Bunbury Trough within the Permian Willespie Formation in Whicher Range 1 — the first deep well in the area — but production decreased rapidly due to poor reservoir characteristics. During the second half of the 1960s and the early 1970s, WAPET and Union Oil continued petroleum exploration in the southern Perth Basin. They conducted several seismic surveys and drilled a total of eight wells, but did not discover any hydrocarbons. In the onshore Bunbury Trough, BP Australia, Mesa Australia Ltd, and Weaver Oil and Gas Corporation Australia carried out further exploration between 1980 and 1982 and drilled four wells in the southern Perth Basin. Among these, Whicher Range 2 and Whicher Range 3 were drilled by Mesa Australia Ltd in 1980 and BP Australia in 1982, respectively, to further appraise the Whicher Range field. There was no further petroleum exploration until Discovery Petroleum NL carried out a detailed seismic survey and tested the Chapman Hill prospect in 1992. Amity Oil NL took up exploration permits and drilled Scott River 1, Whicher Range 4, and Rutile 1 between 1995 and 2000. After drilling Whicher Range 4, Amity Oil produced a stabilized gas flow from the four wells in the field, by fracturing the reservoir, but at a lower rate than expected. Whicher Range 5, drilled in 2003/2004, attempted to use air drilling techniques, but caving of the coals forced the use of mud through the reservoir section, and thus failed to improve gas flows. The Whicher Range undeveloped tight gas field, with an estimated in-place gas resource of 3 to 4 trillion cubic feet, lies to the west of the southern part of EP416. It has a gas column over approximately 300 metres to a depth of approximately 4,300 metres.

Seismic surveys were acquired in the area now comprising EP-416 from 1964 to 1981 but the best quality data is the 1991 Korijekup Survey acquired by Petroz NL. Only 2 wells, Preston-1 and Pinjarra-1 have been drilled in the permit but Lake Preston-1 was drilled close to the boundary and Wonnerup-1 was drilled to the west of the southern part of the permit.

Wonnerup-1 was drilled by Union Oil in 1972. This well encountered gas shows but the 2 drill stem tests were misrun and the well was plugged and abandoned as non-commercial due to the lack of a gas market.

In summary, petroleum exploration of the southern Perth Basin has been only moderate, with 14 tests as shown in Table 2. Early wells also had a significant stratigraphic purpose.

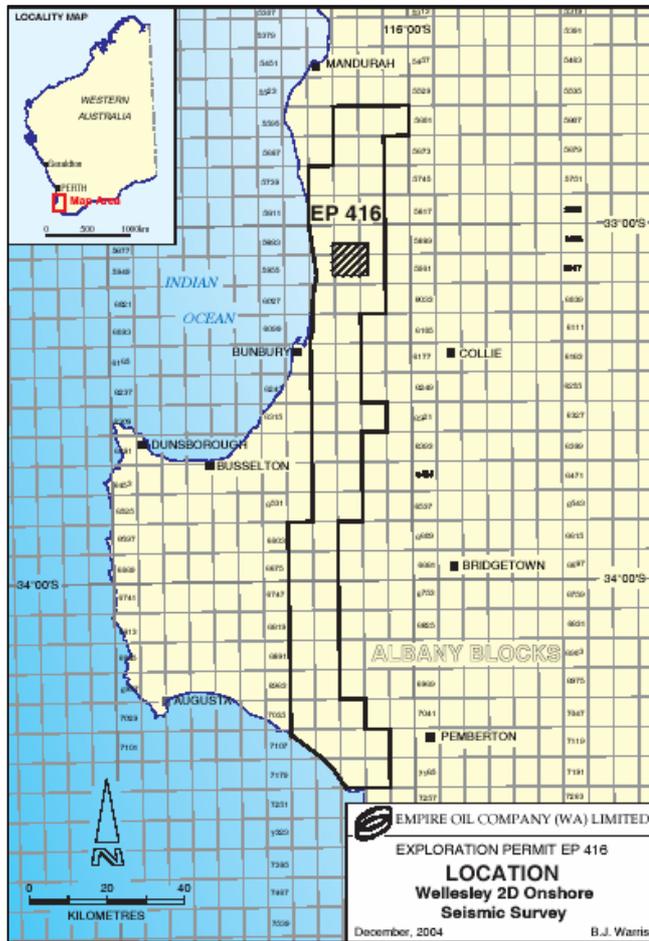
Table 2. Previous exploration drilling in the southern Perth Basin

Alexandra Bridge 1	WAPET	1965	766	Willespie Fm	P&A
Pinjarra 1	WAPET	1965	4,572	Lesueur SS	P&A
Preston 1	WAPET	1966	765	Eneabba Fm	P&A
Sue 1	WAPET	1966	3,074	Precambrian	P&A
Whicher Range 1	Union Oil Development	1968	4,653	Willespie Fm	P&A, gas producer
Blackwood 1	Union Oil	1969	3,333	Willespie Fm	P&A
Sugarloaf 1	WAPET	1971	3,658	Cadda Fm	P&A
Wonnerup 1	Union Oil	1972	4,727	Willespie Fm	P&A, gas show
Lake Preston 1	WAPET	1973	4,565	Willespie Fm	P&A
Whicher Range 2	Mesa Australia	1980	4,330	Willespie Fm	P&A, gas producer
Canebreak 1	Weaver Oil & Gas	1982	2,090	Willespie Fm	P&A, poor gas show
Sabina River 1	BP Development	1982	4,309	Willespie Fm	P&A
Whicher Range 3	BP Development	1982	4,496	Willespie Fm	P&A, gas producer
Chapman Hill 1	Discovery Petroleum	1992	1,350	Eneabba Fm	P&A
Scott River 1	Amity Oil	1995	2,370	Willespie Fm	P&A, poor gas show
Whicher Range 4	Amity Oil	1997	4,575	Willespie Fm	Producing gas well
Felix 1	Woodside Oil	1998	1,013	Yarragadee Fm	P&A, poor oil show
Rutile 1	Amity Oil	2000	2,516	Willespie Fm	P&A, poor oil and gas shows
Whicher Range 5	Amity Oil	2004	4,575	Willespie Fm	

4 EP 416 and Wellesley Prospect

The Wellesley Prospect is located in the northern portion of EP416, between Bunbury and Mandurah (Figure 4). It is approximately 10 kilometres from the Kemerton Industrial Complex that includes a silicon smelter, a chlor alkali plant and a titanium pigment plant

Figure 4. EP416 and Wellesley Prospect (hatched area)



The Wellesley Prospect is defined by 6 fold seismic acquired by WAPET in 1969. On this data it appears as a robust, four way dip anticline without major crestal faulting (**Figure 5**). The structure is defined by only three seismic lines and additional modern seismic is warranted to better define both the areal extent and the detailed structure of the prospect. An example of a 1969 seismic line over the prospect is shown in. The main objectives are the Late Permian sandstones of the Willespie Formation at the top of the Sue Group, sealed and sourced intra-formationally by organic-rich, carbonaceous shales and coals deposited in lacustrine and swampy environments. This Permian section is intersected at Wonnerup-1, 80 kilometres to the south, and Lake Preston-1 30 kilometres to the north.

The Sue Group are a Late Permian sequence of fluvial and lacustrine deposits which provide reservoir, seal and source for the Wellesley Prospect. In Lake Preston-1, sandstones in the Sue Group between 4,035 and 4565 metres had porosities of only 3 - 4%. But in Wonnerup-1, these sandstones (between 4,454 and 4,455 metres) had core derived porosities of 7.3 - 15.8% and permeabilities of 1.3 - 63 millidarcies. The top of the Sue Group in the Wellesley Prospect is estimated to be at about 3,700m and porosities and permeabilities are expected to be better than those encountered in Lake Preston-1 and Wonnerup-1. An average porosity of 10% has been used to calculate potential gas reserves.

This structure is probably some 500 metres shallower than the reservoir at Whicher Range, and better reservoir qualities should be expected. The Wonnerup structure exhibits crestal faulting, probably as a result of the early Cretaceous breakup, which could have caused leaking of any reservoir gas. At Lake Preston, subsequent seismic has shown that there is no valid Permian structure.

The carbonaceous shales and coals in the Sue Group are proven source rocks with oil and gas generating potential. These source rocks have total organic carbon contents of 3.5 - 52.7% and S1 + S2 from 2 - 38 and hydrogen indices from 50 - 200 in Lake Preston-1. They are mostly gas prone but also have some oil generating potential. (Warris, 2004)

Maturity of the Sue Coal Measures varies from to 1.5 to 1.9 in Lake Preston-1. There is no doubt that these source rocks are in the gas window. The Bunbury Trough is filled with Permian to Late Jurassic sediments and gas generation is likely to have been completed by the end of the Jurassic. Early gas migration may have preserved porosity from silicification as a result of depth of burial, and comparison of Lake Preston and Wonnerup porosities supports this. Porosities of 3-4% in water-wet sandstones in Lake Preston-1 compare to porosities of 7 - 15% in residual gas filled sandstones in Wonnerup-1.

The Wellesley Prospect covers an estimated area of 1,100 hectares (2,720 acres) and is mapped with a vertical relief of 60 milliseconds. The top Permian two way time map shows the crest of the structure at 1,940 milliseconds. Estimated potential recoverable gas reserves for the Wellesley Prospect, if hydrocarbons were discovered and the structure was full to the currently mapped spill point, are 155 BCF (Table 3).

Table 3, Wellesley prospect potential reserve estimate

Area	11,000	hectares
Maximum gross pay	60	milliseconds
	100	metres
Net Pay	70	metres
Average net pay	30	metres
Volume	33,000	hectare-metres
Porosity	10%	
Sg	80%	
Gas in place	0.19	mill cu m / hectare metre
	6.27	billion cubic metres
	221	BCF
Recovery Factor	70%	
Recoverable Gas	155	BCF

Figure 5. Wellesley project. Two way time structure of top Permian Sue Coal Measures.

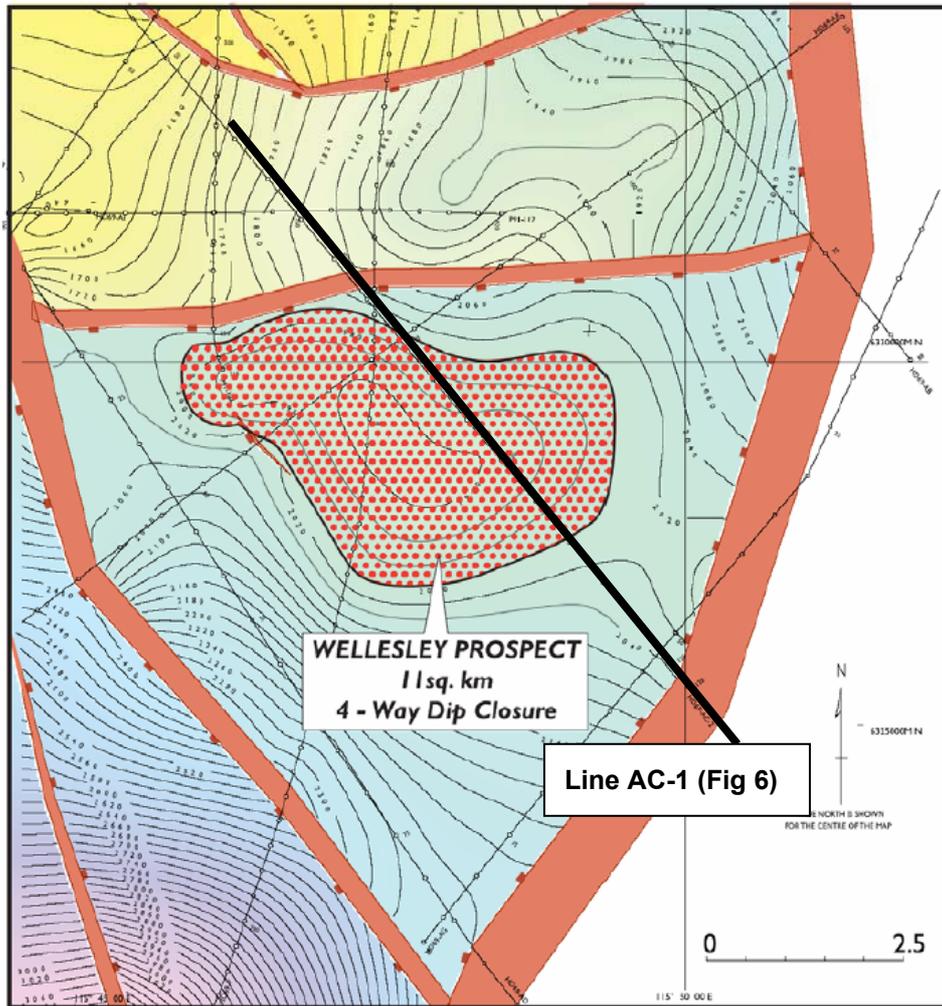
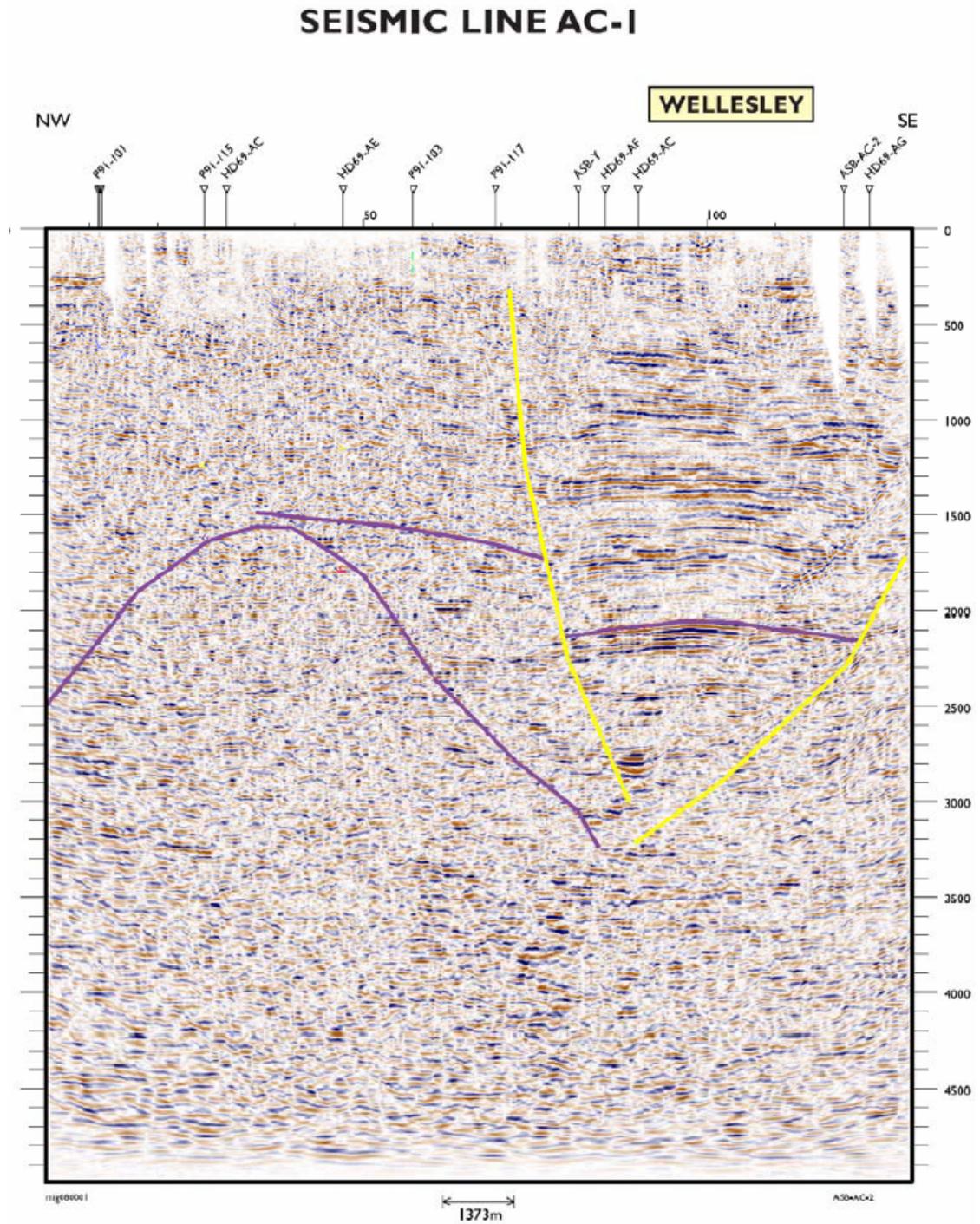


Figure 6. Seismic line AC-1 across Wellesley prospect



5 Exploration programme and budget EP416

We understand that Exploration Permit EP-416 has been extended by the Department of Industry and Resources to 25th August, 2006, and that Empire Oil intends to apply for renewal of the permit 3 months prior to this date.

The programme for the first year of the renewal period will include the 50 km 2D Wellesley Seismic Survey and for the second year, the drilling of one exploration well - Wellesley-1.

Empire Oil expects to acquire the Wellesley Seismic Survey in the first quarter 2007 at an estimated cost of A\$500,000. Allied Oil & Gas Plc will contribute a fixed sum of A\$500,000 towards the cost of this survey and will earn a 20% interest in the permit.

Following the interpretation of the Wellesley seismic survey and subject to Allied exercising its option under the Farmin Agreement, Wellesley-1 will be drilled in the first quarter of 2008, at an estimated cost of A\$5,000,000. Allied Oil & Gas Plc will contribute a fixed sum of A\$5,000,000 towards the cost of this well and will earn an additional 60% in the permit giving Allied a total interest in EP416 of 80%.

6 Conclusions

The Bunbury Trough in the southern Perth Basin contains thick Permian, Triassic, Jurassic and Cretaceous sediments that offer hydrocarbon source, reservoir and structural characteristics that could potentially trap commercial hydrocarbons.

Source and trapping characteristics are demonstrated at the large Whicher Range gas field, which is non commercial because of its limited permeability characteristics. This field is some 500 metres deeper than the proposed Wellesley structure that is the focus of Allied's farm in to EP416. Other gas shows have been reported from previous exploration drilling in the area.

The Wellesley structure offers a potentially improved reservoir in terms of both porosity, compared to its nearest wells, and permeability compared to Whicher Range. The Wellesley structure has the potential to provide recoverable reserves of 155 billion cubic feet. This prospect is close to a potential market at the Kemerton industrial complex, near Bunbury that includes smelting and chemical works.

Allied has agreed to contribute to the cost of a 50 kilometre seismic survey seismic over the Wellesley structure to earn an interest in EP416 of 20%. It then has the option to contribute A\$5,000,000 to the cost of drilling Wellesley-1, to earn a further 60% in EP416.

It is our opinion that the exploration programme proposed by Allied in EP416 is both technically and financially justified. If successful, a gas discovery at Wellesley has a ready market in close proximity. The major risk to success is adequate reservoir quality but we believe there are good mitigating circumstances to justify the proposed programme.

7 Declaration of Independence and Veracity

ResourceInvest Pty Ltd has prepared this report at the request of Allied Oil & Gas Plc and will be paid a normal consulting fee for this service. Payment of the fee is in no way contingent upon the outcome of the report. No other benefit will be received by ResourceInvest. Neither Peter Cameron nor Jennifer Baird has any pecuniary or other interest, which could be regarded as capable of affecting their ability to provide an unbiased opinion in relation to the report.

ResourceInvest Pty Ltd believes that the report is a true, full and accurate account of the assets that comprise the subject of this report, and includes all relevant information and assumptions. Except to the extent indicated in the report, all information and explanations requested and required to prepare the report were available and used subject to satisfactory verification to the extent set out in the report.

The opinions expressed by ResourceInvest Pty Ltd in this report are independent and impartial.

The information contained in this report was obtained from sources we believe to be reliable but ResourceInvest Pty Ltd, its directors, employees and consultants do not represent, warrant or guarantee that this information is complete or accurate and no liability is accepted for any errors or omissions.

8 Qualifications

This report has been prepared by Peter Cameron of ResourceInvest Pty Ltd. ResourceInvest is an Oil & Gas sector consultancy that undertakes both technical and financial analysis.

Peter Cameron

Peter Cameron graduated with a B Sc (Hons) in Geophysics from the University of Tasmania in 1971, and has held a number of managerial and consulting roles in both the resource industry and the securities industry.

During his career he has worked for the Australian Government (Bureau of Mineral Resources / AGSO / GA), BHP Petroleum, Weeks Australia Ltd, Peko Oil Ltd, several stockbrokers, and as a consultant to the oil & gas, mining and securities industries. He has gained significant technical, management, and joint venture administrative experience in the oil & gas industry. He moved to the financial sector in 1986, as a resources analyst, before establishing his own consulting business. Ten years of consulting enabled him to work on both financial and technical aspects of the resource industry. After a period of full time resource sector research and research management with Johnson Taylor Potter (now Bell Potter Securities) he formed ResourceInvest Pty Ltd in 2001, with geologist Dr Jennifer Baird.

Through ResourceInvest Pty Ltd, Peter provides contract and subscription research to the resource and finance sectors. ResourceInvest is the publisher of the Australian Oil & Gas Review.

Peter is a Fellow and Certified Professional (Management) of the Australasian Institute of Mining and Metallurgy, and a Member of the Petroleum Exploration Society of Australia.

Jennifer Baird

Jennifer Baird has a B.Sc (Hons) and Ph.D from Monash University. She spent three years as a staff geologist with Shell Australia, before becoming a consultant. For the past twelve years Jennifer has worked for clients including BHP Petroleum, Cue Energy N.L., Esso, Lakes Oil N.L., Mobil, Nexus Energy, Woodside, Santos and Shell. These assignments included seismic interpretation and mapping, depth conversions, geochemistry and biostratigraphy reviews, basin and gazettal reviews, farm-in and farm-out preparation and evaluations, and well post-mortems. A two-year period co-running a consultancy was undertaken during this time, which provided out-sourced seismic interpretation (sequence stratigraphy based) that resulted in multi-client reports and study group projects covering many Australian and S.E. Asian petroleum provinces. Clients included most of the companies now actively exploring in Australia. Jennifer formed ResourceInvest Pty Ltd with Peter Cameron in 2001 and now writes broader based resource company research, in addition to maintaining an active technical role in geological and geophysical consulting within the oil & gas industry.

Jennifer is a Member of the Petroleum Exploration Society of Australia.

Yours faithfully



Peter Cameron

ResourceInvest Pty Ltd

9 References

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