



AED OIL LIMITED
ABN 61 110 393 292



QUARTERLY REPORT
30 JUNE 2007

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AED OIL LIMITED
(ABN 61 110 393 292)

(ASX CODE: AED)
ANNOUNCEMENT TO ASX
QUARTERLY REPORT FOR QUARTER ENDED 30 JUNE 2007

AED Oil Limited (AED or Company) is pleased to present its June 2007 Quarterly Report.

The last quarter has once again been a productive and busy time for the Company, with concentration being on the objective for oil production. Whilst the unseasonal weather conditions experienced in northern Australia have caused some delays, the subsea installation is progressing well. The Company expects to commence oil production in late August or early September. With first oil production clearly in sight from Puffin North East, the Company is also developing plans to commence production from Puffin South West, with tentative first production from this region in the first half of 2008.

HIGHLIGHTS FOR THE QUARTER

- Recoverable oil of 100 million barrels
- FPSO and installation on track
- Puffin-8 flow tested
- 40 million barrels of reserves for Puffin South West
- Acquisition of the Talbot Oil Field
- Marketing Agreement
- New staff appointments
- Increase in the Company's financing facility



MAJOR PROJECTS

Recoverable Oil 100 Million Barrels

AED announced during the quarter that it is likely to have up to 100 million barrels of recoverable oil.

The Company is in the process of reviewing its petroleum development assets, the 100% owned Puffin and Talbot fields. Based on the results to date, indications are that the Company is likely to recover in excess of 100 million barrels from these fields, which include the Puffin North East region (NE1 and NE2), Puffin South West (SW1 and SW2) and Talbot. The Company continues to work on the potential recoverable oil in Talbot and Puffin NE2. Recovery of oils will be subject to suitable field development. The Company also remains optimistic that additional development targets and exploration prospects will be identified in ACL/6 and ACP/22.

More generally, AED has begun conceptual development planning to examine options for the overall field development, including possible synergies with the Talbot development. This work is required to optimise the overall development of AED's assets, including the SW, NE (including the NE1 and NE2 areas) and Talbot.

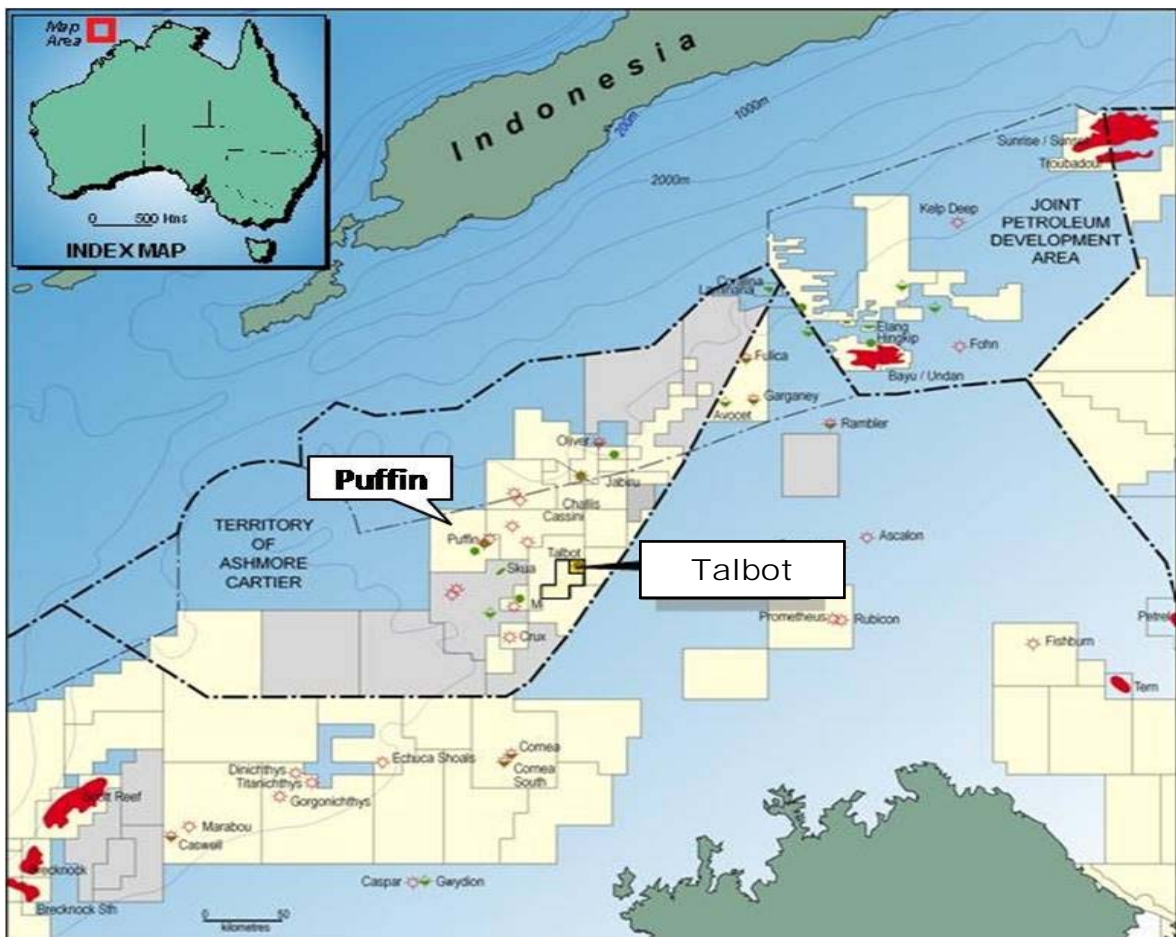


Figure 1 - Location of the Puffin and Talbot Oil Fields

PUFFIN NORTH EAST

FPSO and Installation on Track

All subsea equipment has been installed, including subsea trees for Puffin-7 and Puffin-8, the subsea manifold flowlines, umbilicals, and the buoy complete with wires, chains and anchors. The ISV Havila Harmony is currently in Singapore picking up the dive spread in preparation for the diver hook-up of all subsea components. Conversion work for the FPSO has also been completed, and the vessel is scheduled to leave Singapore in early August, initially for sea trials before moving to the Puffin location.



FPSO - Front Puffin during its construction at Keppel Shipyard, Singapore

Puffin-8 Flow Tested

The Puffin-8 production well was completed on 24 April 2007 and flow-tested at an estimated maximum rate of 11,660 stock tank barrels per day (stb/d) on a 52/64" choke. The oil flow rate was limited by testing equipment deployed on the drilling rig, and calculations show that the well is capable of flowing at a stabilised rate of 15-20,000 stb/d, very similar to the Puffin-7 well. Puffin-8 well performance is considered another excellent outcome.

Reservoir appraisal by this well and subsequent reservoir simulation has also confirmed that the Puffin-8 well will be draining additional reserves to Puffin-7. As the second well in the development, Puffin-8 will give additional security of production.

PUFFIN SOUTH WEST

Puffin South West 40 Million Barrels (Recoverable Volume)

During the quarter, independent expert Gaffney, Cline & Associates (GCA) provided AED with the results from its examination of the volume of recoverable oil as a Contingent Resource in the South West (SW) region of the Puffin Field. The Most Likely Estimate for the potentially recoverable volume of oil is 40.3 million stock tank barrels (MMstb) based on deterministic methods. The recovery factors and potentially recoverable volume of oil are similar to that for Puffin NE1 area and North East (NE) region.

Following an extensive review of geological, geochemical and engineering data, GCA have concluded that there is a single extensive oil pool in the UK1a reservoir. This common, continuous pool in the UK1a reservoir encompasses the Puffin-2 and Puffin-9 well areas. This evidence includes similar oil geochemistry, pressure data from both wells, similarities in sand thickness and petrophysical properties, and stratigraphic data from Puffin-9. Actual recovery factors for the Puffin SW region will depend upon the areal extent and shape of the upper and lower reservoirs, as well as the aquifer and the mode of development, including a possible need for water injection to supplement the aquifer's pressure support.

Contingent Resources may conceivably convert into Reserves (in accordance with SPE guidelines) when the development plan has been optimised and final economic evaluation has been carried out.

In order to develop plans for the most effective extraction of the Puffin SW Contingent Resource, AED has commenced further work on the Puffin SW Preliminary Development Plan.

Puffin South West Development Proposals

AED is currently assessing a plan to facilitate development and production from the Puffin SW area in the first half of 2008. The plan is contingent on securing an FPSO enabling Puffin SW to operate as a stand alone development. Should this occur on terms acceptable to AED, the Company will:

- 1 Drill a production well in the south-west region as part of the drilling program commencing in October/November 2007.
- 2 Secure subsea equipment including subsea trees, risers, flowlines, etc.
- 3 Secure an FPSO. AED is in advanced discussions with suppliers of potential production solutions.
- 4 Obtain all necessary government and regulatory approvals. In this context, Puffin SW is located with AC/L6 and is already the subject of development plan approval.

TALBOT

Acquisition of the Talbot Oil Field

On 30 May 2007, the Company announced the acquisition of retention licence AC/RL1, including the Talbot Oil Field. AED has acquired 100 percent of the licence from Apache Northwest Pty Ltd for a cash consideration of AUD 2 million.

AC/RL1 is located in the Ashmore and Cartier Islands region in the Timor Sea, north-western Australia, and consists of one graticular block covering an area of 83 square kilometres. It is approximately 600 kilometres west of Darwin, approximately 50 kilometres south of the producing Jabiru/Challis oilfields and 65 kilometres east of AED's Puffin Field (refer Figure 1).

The licence is covered by a regional grid of modern 2D seismic lines and by the Santos Anderdon 3D Seismic Survey. The 297 square kilometre 3D seismic survey was reprocessed in 1997. Both the 2D and 3D reprocessed seismic data and other geological information is included in the acquisition.

Two wells have been drilled in AC/RL1, Talbot-1 and Talbot-2 by Santos in 1989 and 1990. Both wells were tested and flowed at rates of up to approximately 5,000 barrels of oil per day. Based on the work completed by the previous permit holders, the crude oil has a 49° API. Initial volumetric calculation indicates Oil Initially In Place (OIIP) of the order of 20 million barrels, with an estimated recovery factor ranging up to 50% (refer Note 1).

AED is undertaking an evaluation and appraisal/development programme with an objective of achieving production from this field by late 2008 or 2009. The Talbot field acquisition provides AED an opportunity to profitably develop this field while offering potential synergies with the Puffin Field development, in particular with the Puffin SW region.

Note 1 *It should be noted that the methodology used is in accordance with the Society of Petroleum Engineers' (SPE) definitions. OIIP refers to the estimated volume of hydrocarbon liquids in situ in the reservoir. Only a portion of the OIIP can be physically and commercially recovered to surface. This portion is represented by the recovery factor. AED is currently calculating and evaluating the recovery factor by means of reservoir simulation and other techniques.*

MAJOR PROJECTS - GENERAL

Marketing Agreement

AED announced during the quarter that it had entered into an agreement with Total Oil Trading SA (TOTSA or TOTAL) for the marketing of the Puffin North East Crude Oil.

AED undertook an extensive selection process for its crude oil marketer and is pleased with the natural alignment of marketing strategies achieved under this agreement. AED is pleased with the extensive market opportunities within the region and globally that TOTAL offers.

TOTAL is the fourth largest publicly-traded integrated oil and gas company in the world, with operations covering the entire oil and gas chain in more than 120 countries.

TOTAL has a vast network of customers and suppliers worldwide. They trade actively with national oil companies, producers, other oil majors, refiners, traders, distributors and end-users. They are a major player in all aspects of oil trading including physical, futures and derivatives. In Singapore, they have an experienced team of international crude traders who are dedicated to understanding and trading oil markets each in their own areas of specialisation.

The agreement with TOTAL is based on FOB (Free On Board) terms. The marketing agreement provides for advanced payments based on monthly production forecasts.

Puffin is a premium quality light sweet crude with an API Gravity of approximately 44° and sulphur content of 0.05 wt%. The crude produces high yields of excellent quality gasoline and middle distillates, making it an ideal feedstock and, in particular, for Australian and Asian refineries, which should result in a valuation which is at the high end of world crude prices.

New Appointments

In preparation for the next phase of operations, the Company is progressively making a number of new appointments to ensure appropriate resourcing of key areas. During the quarter, the following appointments were made:

- **Mr Richard Price** was appointed as an independent Non Executive Director. Richard has extensive experience in the provision of strategic, corporate and financial advice to major public companies over the last 20 years. Richard is an Executive Director within Macquarie Bank's Investment Banking Group, with particular expertise in the resources and energy sectors.
- **Mr Richard Little** was appointed as Chief Financial Officer. Richard has had a distinguished career in accounting and finance and, for the last seven years, has worked in the resources industry with Newcrest Mining Limited. For the last four years, he has been the General Financial Reporting Manager of Newcrest.
- **Mr Trevor Slater**, formerly Chief Financial Officer, was appointed to head up a new team managing crude oil marketing. Trevor will continue his role as Company Secretary and member of the AED Audit and Risk Committee.

In order to be in a position to better implement future projects, AED has decided on a change in their staffing philosophy, by hiring a small team of highly qualified staff who are well placed to manage the variety of contractors required in the detailed design of major projects. The idea is to create project teams for each of the Company's three projects:

- Puffin NE
- Puffin SW
- Talbot

New Appointments (cont.)

Technical expertise is being acquired in the following functional areas:

- Exploration and Geosciences
- Production and Petroleum Technology
- Development and Project Services
- Major Projects and (Facilities) Engineering
- Drilling and Well Completion
- Darwin Operations

These teams comprise Exploration, Development and Production functions and report to the Chief Operating Officer, Peter Behrenbruch, who commenced on a full-time basis with AED in late January of this year.

The following key appointments have been made and will take effect over the next couple of months:

- **Mr John Fear** - General Manager, Development and Project Services (and Project Manager for Puffin NE)
- **Mr Steve Kanthan** - General Manager, Major Projects and Engineering (and Project Manager for Puffin SW)
- **Mr Brett Smith** - Darwin Operations and Subsea Manager
- **Mr Tore Narum** - (Facilities) Engineering Manager
- **Mr Shan Mugarajah** - Project Planning Manager
- **Mr Eoin Strack** - Procurement and Logistics Manager
- **Mr Peter D'Arcy** - AED Representative on the Front Puffin FPSO vessel

It should be noted that the above individuals have all been involved in many major offshore projects in the Timor Sea, other parts of offshore Australia and internationally, particularly also in relation to FPSO projects and facilities. Most noteworthy, John Fear has been Project Manager for the Puffin NE development for some time, being contracted from AGR Upstream. Steve Kanthan most recently was Project Manager for the Basker-Manta development in Bass Strait. Brett Smith is a world-class subsea specialist who has worked on numerous subsea projects offshore Australia.

Funding

As the Company's financial position and debt capacity has increased, AED has agreed with Sea Production (the owners of the FPSO - Front Puffin) to assume a larger portion of the installation costs than that previously agreed. The Company considers that funding a greater proportion of installation cost via debt is considerably less expensive than funding via the Sea Production timecharter arrangement. Accordingly, to facilitate the Company's increased share of costs and to fund the Company's strategic development plans, AED has executed an increase in its project financing facility with the Westpac Banking Corporation and the Commonwealth Bank of Australia. Under the terms of the facility, the Company is now able to draw down up to USD 134 million. Proceeds from the funding, together with the cashflow from first oil production, will be used to finance the completion of Puffin NE and to contribute to the drilling, development and expansion opportunities as described above regarding Puffin SW and the Talbot Field.

NEXT STEPS

The next significant steps for the Company are as follows.

- Completion of Installation of subsea facilities
- FPSO arrival at site
- FPSO commissioning
- First oil production
- Assessment of recoverable oil for Puffin NE2 and Talbot fields



Trevor Slater
Company Secretary

For further information, please contact:

Trevor Slater
Company Secretary
Telephone (03) 9656 7800
www.aedoil.com