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EL 3774

MOUNT FROME

**ANNUAL AND FINAL REPORTS TO LICENCE
EXPIRY/SURRENDER FOR THE PERIOD
17/5/2007 TO 16/5/2009**

Submitted by
Epsilon Energy Ltd
2009

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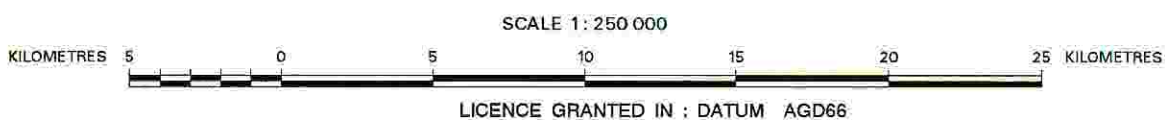
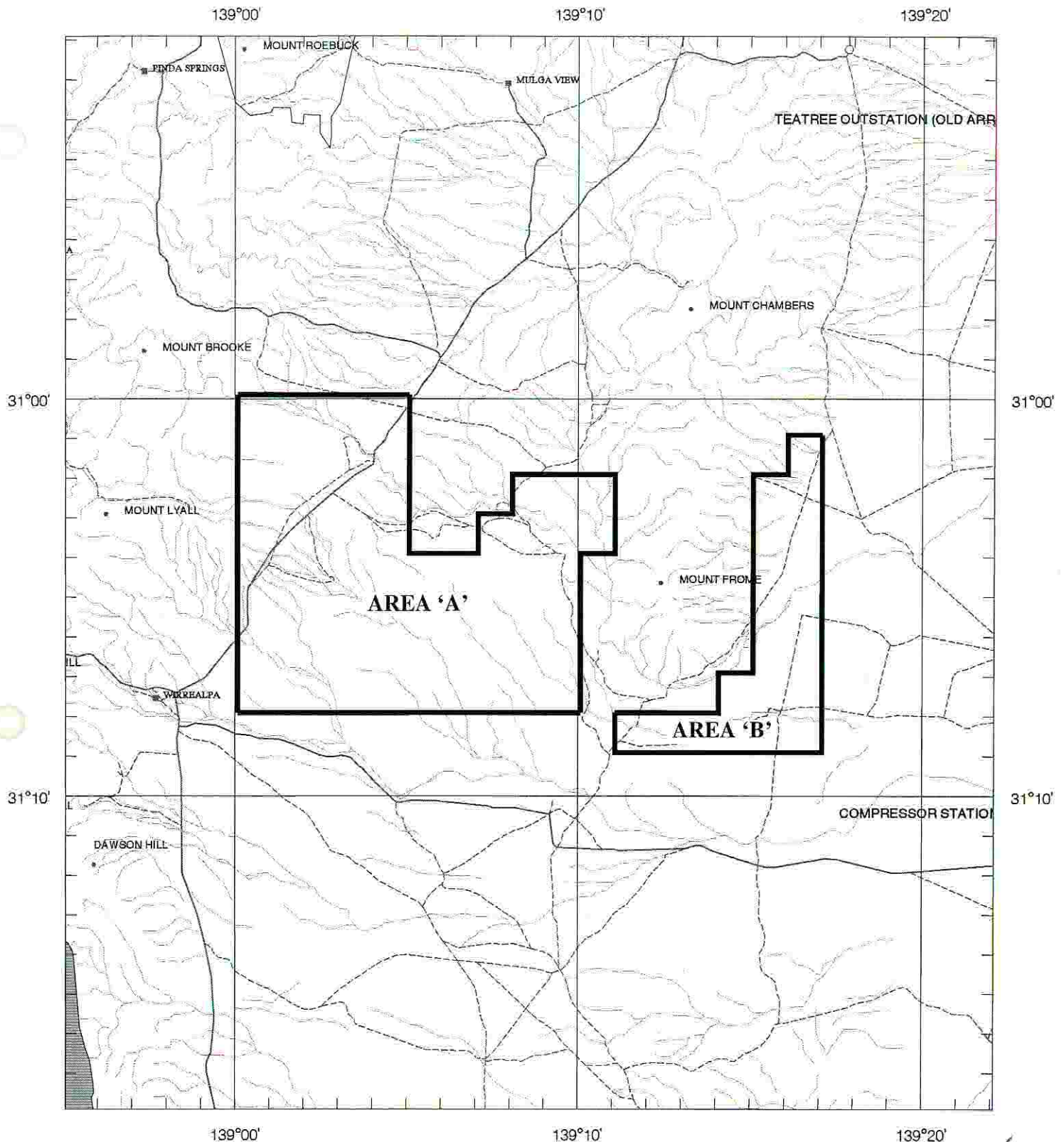
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Minerals and Energy Resources
7th Floor
101 Grenfell Street, Adelaide 5000

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Government of South Australia
Primary Industries and Resources SA

SCHEDULE A



APPLICANT : OCHRE RESOURCES LTD

FILE REF : 384/06

TYPE : MINERAL ONLY

AREA : 256 km² (approx.)

1:250000 MAPSHEETS : COPLEY PARACHILNA

LOCALITY : MOUNT FROME AREA - Approximately 90 km southeast of Leigh Creek

DATE GRANTED : 17-May-2007

DATE EXPIRED : 16-May-2008

EL NO : 3774



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ANNUAL MINERAL EXPLORATION REPORT

17 MAY 2007 TO 16 MAY 2008

WEST FROME URANIUM PROJECT REPORT MT FROME PROSPECT EL 3774

Frome Basin

Parachilna (SH54-13) 1:250,000 Sheet
Blinman (6635) 1:100,000 Sheets

Submitted by: Epsilon Energy Limited

Date: September 2008

Author: Daniel Bloor, Winnie Yau

**Distribution: 1) Department of Primary Industries &
Resources SA
2) Epsilon Energy Limited**

EXECUTIVE SUMMARY

EL 3774

WEST FROME URANIUM PROJECT

MT FROME PROSPECT

FROME BASIN

The Mt Frome prospect currently comprises one exploration licences covering 256 square kilometres and is located some 90km SE of Leigh Creek.

The project was originally acquired based on high prospectively for uranium in the West Frome region.

Epsilon Energy Limited was granted the tenement on the 17 May 2007. The tenement forms part the Company's larger Uranium project in the West Frome region, a second tenement EL3773 is Located to the SW. The primary target in the area is sandstone hosted uranium mineralisation.

This report describes the work completed to date on the granted tenement, which has comprised data compilation/review, preliminary economic evaluation of possible uranium occurrences in the region and a reconnaissance visit to the area.

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1.0 INTRODUCTION

This report outlines exploration on the tenement for the year ending 16 May 2008. The primary target in the area is sandstone hosted uranium mineralisation which is potentially hosted in the Eyre and Namba formations.

1.1 Location and Access

The Mt Frome project comprises one exploration licence covering 256 square kilometres and is located some 90 kilometres SE of Leigh Creek in the West Frome region of South Australia (see Figure 1). Access to the project from Port Augusta is via the Wilpena Road then the Wilpena Pound Road which extends through the prospect area. Existing station tracks can then be utilised to further access the area.

The project is located on the Parachilna (SH54-13) 1:250,000 sheet and the Blinman (6735) 1:100,000 sheet.

1.2 Tenement Status

Table 1 shows the current tenement status for Mt Frome Prospect.

TABLE 1 Tenement Status

TENEMENT	AREA	DATE GRANTED	EXPIRY DATE	REGISTERED HOLDER	RENT (\$)	REQUIRED ANNUAL EXPENDITURE
EL 3774	256km ²	17/05/2007	16/05/2009	Epsilon Energy Limited		\$55,000

This tenement is wholly owned by Epsilon Energy Limited.

2.0 GEOLOGY

2.1 Regional Geology

The West Frome Project is located within the Frome Basin of South Australia between the eastern escarpment of the Flinders Ranges and Lake Frome.

This region consists of multiple basins locked in complex inter relationships. The Proterozoic basement units form the Willyama Supergroup and are overlain by the Arrowie Basin. The Arrowie Basin underwent significant deformation during the late Cambrian between the Moorowie and Yalkalpo synclinal depocentres before the Mesozoic Eromanga Basement sediments were deposited.

The Tertiary saw the predominantly marine succession of the Lake Eyre Basin units which comprises most importantly of the Eyre and Namba Formations, alternating Lacustrine and Fluvial sediments which were deposited with a noticeable absence of major structural interference. Significant drying of the environment during the Quaternary has led to the development of the overlying alluvial sands and regolith seen on the surface today.

2.2 Prospect Geology

A number of target areas containing favourable lithologies in proximity to basin margins remain to be adequately tested by modern techniques and are considered to be prospective for sandstone uranium mineralisation, with the uranium source rocks in the adjoining Flinders Ranges, taken from the Gneissic Granitic Basement rocks of the Oraparinna Diapir.

Within the Project area the Eyre and Namba formations are present from previously identified drill holes undertaken by Mines Administration Services P/L. These formations are economically significant, as the Namba Formation is the host to the Beverley Uranium deposit and the Eyre Formation is the host to the Beverley Four Mile deposit.

3.0 HISTORICAL EXPLORATION

An open file search of previous exploration activity in the area using the SAMREF database has located the reports listed in Table 2.

TABLE 2 Previous Work

Report	Company	Commodity
Env 00671	Kennecott Exploration (Aust.) Pty Ltd	Base metals
Env 00965	Asarco (Aust.) Pty Ltd	Base Metals
Env 01110	Eric A. Rudd Pty Ltd	Uranium
Env 01363	Dobbyn Mines Pty Ltd	Base metals
Env 01487	CRA Exploration Pty Ltd	Uranium
Env 01554	Mines Administration Pty Ltd	Uranium
Env 01657	North Flinders Mines Ltd	Copper

Report	Company	Commodity
Env 02373	Union Miniere Development & Mining Corp. Ltd	Base metals
Env 03305	Western Mining Corp. Ltd	Base metals
Env 03427	Dampier Mining Co. Ltd	Lead and Zinc
Env 03722	Dampier Mining Co. Ltd	Base metals
Env 05016	Dampier Mining Co. Ltd	Base Metals
Env 05711	Base Resources Ltd	Petroleum
Env 06536	BHP Minerals Ltd	Base metal
Env 06826	Santos Ltd	Petroleum
Env 08002	BHP Minerals Ltd	Base metal
Env 08071	Demis Pty Ltd	Base metal
Env 08084	Anzoil NL; Fossil Cliff Oil Pty Ltd	Petroleum
Env 08311	CRA Exploration Pty Ltd	Diamond
Env 08501	BHP Minerals Ltd	Gold
Env 09050	Beach Petroleum NL	Petroleum
Env 09050	Beach Petroleum NL	Petroleum
Env 09402	Signature Resources NL	Uranium
Env 09565	Signature Resources NL	Uranium

4.0 WORK COMPLETED

Exploration activities for the reporting year focussed primarily on data acquisition, project review, and preparation of Radiation Management plan, field reconnaissance work and planning of the future reconnaissance drilling program.

The project review consisted of viewing and assessing the data in Table 2.

In order to conduct future drilling activities it was necessary to develop a Radiation Management plan to comply with various state and national guidelines and Codes of Practice.

Field reconnaissance work involved a site visit to assess site access, introduction to pastoral leaseholders and general geology overview.

4.1 Future Exploration

Future exploration will focus on the possibility of using a contract geologist to locate old core if successful core interpretation and analysis will take place. If good results yielded reconnaissance aircore drilling, assaying and down gamma logging of the holes could follow.

A ground based geophysics survey is also being considered to determine basement profiles etc. along with reconnaissance auger drilling to further assist in identifying anomalous zones through radon detection.

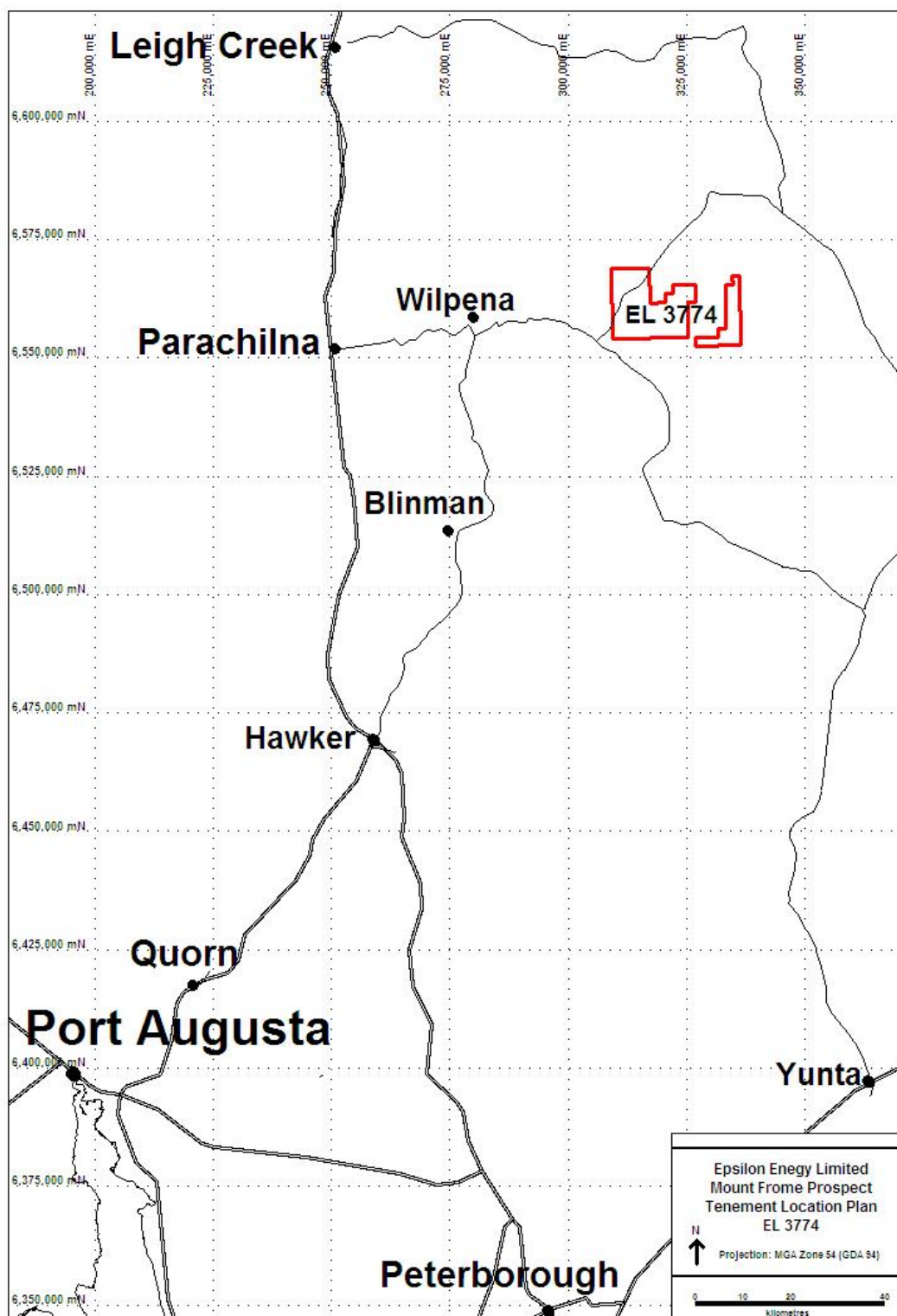


FIGURE 1 Mt Frome Prospect Location Plan

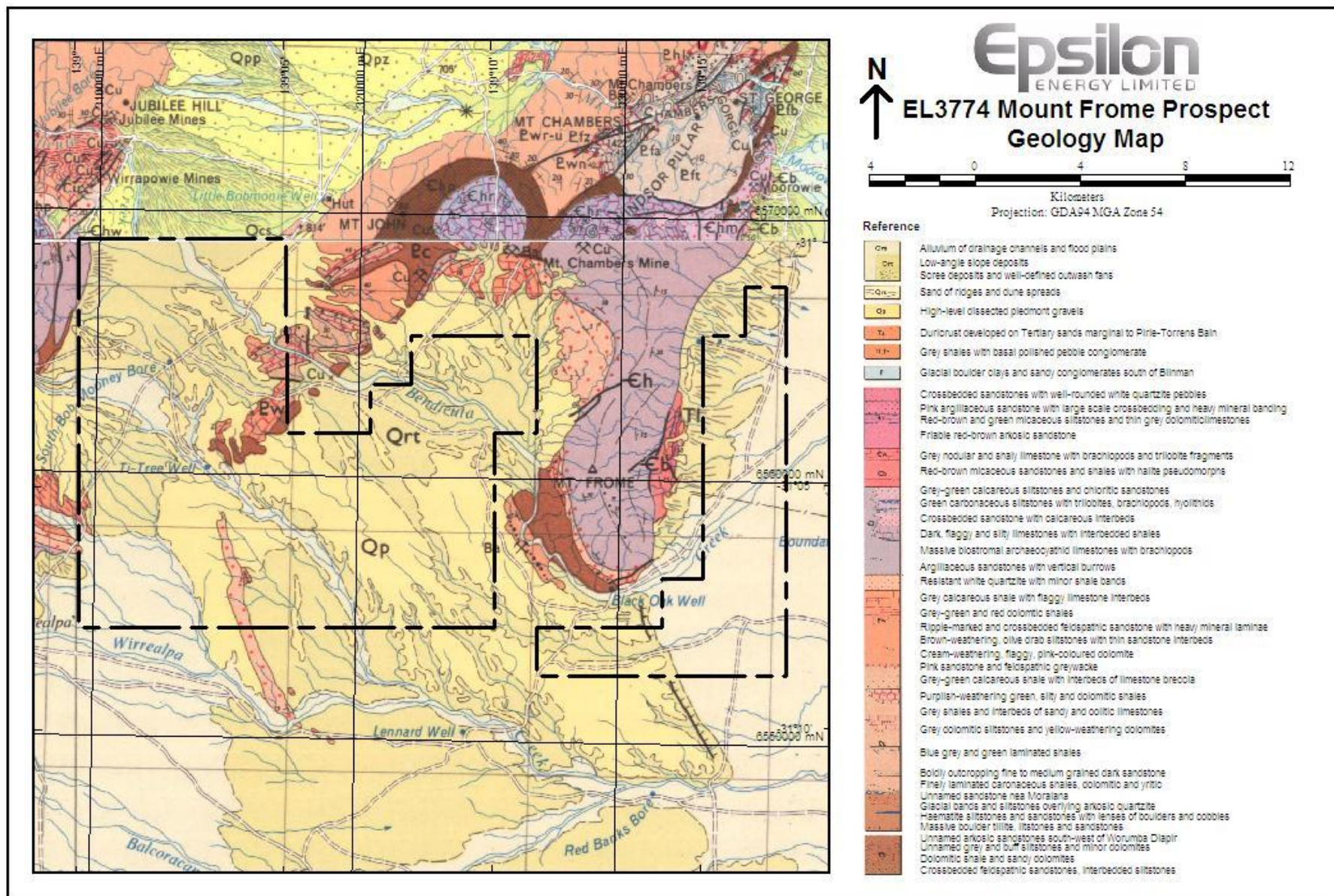


FIGURE 2 Mt Frome Prospect on Geology



8th January 2009

Director
Dept of Primary Industry & Resources SA
Minerals Division
GPO Box 3000
ADELAIDE SA 5001

Accept letter
as ATR 109
No work letter

Attn: Mr George Kwitko

Dear George

Ref: Exploration Licences 3773 & 3774 – Maggie hill & Mt Frome.

Following current events it was decided at a recent meeting of the Board of Epsilon Energy Pty Ltd to relinquish EL's 3773 and 3774 in the Maggie Hill & Mt Frome areas.

As no additional work has been carried out over the areas since the last report, we request that the previous report be taken as the final report.

We regret any inconvenience this may have caused, and wish you and your Staff a merry Festive Season.

Yours faithfully,
Epsilon Energy Ltd,

Matt Gauci
Managing Director

Signed this 8th day of January, 2009

MATTHEW GAUCI Director

MICHAEL MATTHEW Director/Secretary

