

# CHAIRMAN'S LETTER



Dear Fellow Shareholder,

I am pleased to report that 2012 saw the commencement of activities within PEL 514 in the Cooper Basin of South Australia. With our joint venture partner Senex Energy Limited ('Senex'), 3D seismic work completed during the year will now form the base for the planning of drilling operations. At least two wells will be completed within the PEL in 2013.

Although conventional hydrocarbon developments in the Cooper Basin have matured over the past decade or so, 2012 has been a particularly noteworthy year with substantial discoveries in unconventional hydrocarbons in the Basin. The recent entry of United States major Chevron and expanded programs by Santos Limited and others will prove to be an exciting stimulus for the region.

The Company is well positioned in the Basin with PEL 514 containing a range of unconventional targets including tight gas, shale gas and coal seam gas ('CSG') as well as conventional oil and gas and we look forward to reporting progress throughout 2013.

In New South Wales, we have undertaken limited work during 2012. After some 16 months of the State legislative enquiry into CSG extraction, the Government finally announced its Strategic Regional Land Use Policy and a suite of other policies and regulations governing the CSG industry. Subsequent to year end, additional proposed regulations were announced that appear to have limited technical basis and are contradictory to the previously presented regulations. This has further compounded uncertainty for the industry and for the foreseeable future, we consider that New South Wales will continue as a high risk jurisdiction.

This is particularly unfortunate given over the coming years the State is facing gas supply tightening and increasing energy prices whereby CSG, in most cases, can be extracted in an environmentally sensible manner for the benefit of all stakeholders.

During 2012, we have undertaken further rationalisation of the Company, in particular with a reduction in management given the Cooper Basin programs are funded and operated by Senex and that limited work was undertaken in New South Wales.

We look forward to 2013 with the more substantial works including the commencement of drilling in the Cooper Basin.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Norman A. Seckold'. The signature is stylized and includes a long, sweeping flourish that extends to the right.

**Norman A. Seckold**  
Chairman