

CHAIRMAN'S LETTER



Dear Fellow Shareholder,

Sadly, in September Sharif Oussa, one of our founders, and the incumbent Managing Director, passed away. Sharif will be remembered as one of the pioneers of Coal Bed Methane ('CBM') in Eastern Australia.

In my last communication to you I noted that we had been busy consolidating our finances and positioning our business through the building of a portfolio of unconventional resource assets.

As a result of a changing energy marketplace, and rapidly changing energy priorities, however, we have had to adapt and have taken significant steps in rationalising our business during 2010. The rationalisation continues.

I noted previously that we were looking to diversify our resource base. We have been successful in achieving this through our farm-in to three well addressed, CBM prospective, petroleum exploration licences in New South Wales. The licences sit in the main CBM fairway adjacent to existing projects and/or CBM discoveries in the Sydney and Gunnedah Basins. We are close to commencing drilling operations on those licences.

We have also been busy interpreting data from PELA 514 in the Cooper/Eromanga Basin, concurrent with finalising the Native Title arrangements on the licence. In addition to conventional oil and gas, the licence appears to be prospective for CBM and contains hydrocarbon rich shales, which are currently the focus of exploration by other Cooper Basin permit holders.

I am firmly of the belief that the current portfolio of assets provides an excellent platform for growth.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Norman A. Seckold'. The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

Norman A. Seckold
Chairman