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26 November 2015

# Annual General Meeting 2015

## CHAIRMAN'S ADDRESS

Despite being involved in the drilling of many potentially high impact wells over the years, so far, the "company-maker" exploration discovery has eluded us. Headwinds facing the farmout/sale strategy were apparent more than two years ago, even when oil prices were high. At current oil prices that strategy is not viable.

Faced with that dilemma, over the past two years we made concerted efforts to broaden our strategy by the acquisition of production assets which we considered to have the capacity to provide future cash flow generation.

A Risk Service Contract (RSC) with PETRONAS for the development of the Ophir oil field, offshore Malaysia, is the cornerstone of our new direction. The Ophir oil development is fully funded, in the execution phase, with senior project finance approved by a consortium of banks. Mezzanine finance has been secured from Sabah International Petroleum Ltd (SIP) for our 50% equity contribution to the Ophir joint venture. As a result of the dramatic fall in oil price, development costs have reduced significantly.

Our portfolio now includes two appraisal projects located offshore from Western Australia. Cornea is located in the Browse Basin under a Retention Lease and is potentially Australia's largest undeveloped oil discovery, albeit with significant technical and now oil price challenges.
Ascalon is located in the Bonaparte Basin in proximity to other known undeveloped gas accumulations and to the Icythys-Darwin LNG pipeline, which is nearing completion. Ascalon represents a significant gas discovery, well-located to be of future value in the emerging ex-Darwin (two LNG plants) Australian LNG market. A "Location" has been declared over Ascalon, an initial step in obtaining a Retention Lease over the discovery, an action we are now pursuing.

We attempted to form an enlarged group with further exposure to potential near-development assets by a proposed merger with Peak Oil & Gas Ltd. With the fall in the price of oil accelerating, it became evident that the basis for the merger had been negatively impacted, as important elements (such as the need for capital raising and project viability) became unsupportable in the changed environment. Ultimately the merger did not proceed.

During the year we increased the size of our board, appointing Mrs Rae Clark as a director and Chief Operating Officer of the Company. We also invited onto the board Mr Tino Guglielmo, a petroleum engineer with wide development experience. At the same time, two representatives of our new strategic shareholder, SIP, a unit of the Sabah Development Bank, Datuk Kevin How and Ms Suhnylla Kler were appointed. SIP is ultimately wholly owned by the Ministry of Finance of the Malaysian state of Sabah.

We have been operating the Company on the basis of outgoings limited to the bare minimum. Exploration acreage where results have been unfavourable or which has held out little hope of farmout or with onerous work commitments, has been surrendered.

As evidence of our cost-cutting, amongst other matters, directors are committed to reinvesting a large proportion of their fees in new shares of the Company at a price of $0.10 per share. This aspect of our outgoings remains largely cash neutral.

I want to record my gratitude to Mrs Rae Clark, our Chief Operating Officer, all my fellow directors, our consultants and employees for their unwavering support during, what has been, a most difficult period.

Our challenge is to identify and secure opportunities that best complement our strategy to successfully widen the development/production base of the company.

Chairman
Melbourne
26 November 2015