

## **Quarterly Activities Report**

### **(for the Quarter ended 31 March 2013)**

Fitzroy River Corporation Ltd ('Company' or 'FZR') reports on the activities of the Company during another important 3 months for the Company.

The Company holds royalty interests in several permits in the Canning Superbasin and holds just over 25% of the shares in European Gas Ltd ('EGL UK'), an unconventional gas exploration company based in Europe.

FZR Management's main activities are as follows:

- Royalty collection
- Contract maintenance with Buru, Mitsubishi and others
- Title maintenance (ensuring royalty dealings are and remain registered under Section 75 of the Petroleum and Geothermal Energy Resources Act against relevant permits)
- Monitoring activities across all royalty permits and at EGL UK
- Review of existing and new investments
- Company routine operations & reporting as an ASX listed company

### **A) Canning Superbasin (Western Australia)**

FZR holds royalty interests in 11 permits in the Canning Superbasin via 2 separate Royalty Deeds. The approach in this section A) of the report is to explain activities by topic, rather than by permit, having regard to management's main activities as outlined above.

#### **EP 391, EP 431, EP 436 (2% Royalty on 100% participation interest)**

These 3 Permits are held 50% by Buru Energy Ltd ('Buru') and 50% by Diamond Resources (Fitzroy) Pty Ltd ('DRF', a wholly owned subsidiary of Mitsubishi Corporation ('Mitsubishi')). During September 2012, a Deed of Assignment and Assumption ('DAA') was signed, which makes DRF responsible, as to 50%, for the obligations and liabilities under the 26 August 2006 'Canning Basin Royalty Deed'. Mitsubishi has guaranteed to the Company the performance of DRF's obligations. The effective date of DRF's assumption of responsibility is 30 November 2010.

The DAA, which is dated 7 September 2012, was registered against these 3 Permits on 13 December 2012.

These 3 Permits are 3 of the 5 initial Petroleum Titles under the Natural Gas (Canning Basin Joint Venture) Agreement 2012 executed during the previous quarter and dated 7 November 2012 (which is a State Agreement awaiting ratification by an Act of Parliament). This is discussed further below.

**EP 371, EP 390, EP 428 (2% Royalty on 100% participation interest)**

These 3 Permits are held 50% by Buru and 50% by Diamond Resources (Canning) Pty Ltd ('DRC', a wholly owned subsidiary of Mitsubishi). During September 2012, a Deed of Assignment and Assumption ('DAA') was signed, which makes DRC responsible, as to 50%, for the obligations and liabilities under the 26 August 2006 'Canning Basin Royalty Deed'. Mitsubishi has guaranteed to the Company the performance of DRC's obligations. The effective date of DRC's assumption of responsibility is 30 November 2010.

The DAA, which is dated 7 September 2012, was registered against these 3 Permits on 13 December 2012.

Two of these 3 Permits (EP 371 (R1) and EP 428) are 2 of the 5 initial Petroleum Titles under the Natural Gas (Canning Basin Joint Venture) Agreement 2012 executed during the previous quarter and dated 7 November 2012 (which is a State Agreement awaiting ratification by an Act of Parliament). This is discussed further below.

**EP 391 (2% Royalty on 100% participation interest)**

The Company notes that the Ungani Field production test continued for part of February 2013 but that the Field was shut-in by Buru as planned on 24 February 2013. Production has now been suspended ahead of production logging operations, according to Buru.

Buru publicly released monthly oil production statistics to the ASX on 19 March 2013. The Company monitors relevant announcements concerning the Ungani Field that are made by Buru.

The total amount paid to the Company and received during the Quarter from Buru and DRF in respect of Ungani production was just under \$35,000. For further details regarding calculation of this royalty, which remains under dispute, please refer to the Company's announcement of 2 October 2012.

**EP 428, EP 436 (2% Royalty on 100% participation interest)**

During the previous quarter, the Company executed a Deed which removes it from any contingent obligation to make so-called 'Discovery Payments' in the event of hydrocarbon discoveries on EP 428 and EP 436.

Negotiations had run for a long time to remove the Company from the contractual matrix in connection with any obligation (dating back to March 2004) to make certain 'Discovery Payments' to certain third parties in the event of hydrocarbon discoveries on EP 428 and EP 436 which are proven to be commercial and with an initial production of over 260 BOEPD.

The Company notes that the Deed, which is dated 19 December 2012, has been signed by 8 different parties (including FZR) and it provides that Buru, DRC and/or DRF will directly assume all the ongoing obligations to make any Discovery Payments to the third parties. As at Quarter end, the Company

understands that the Deed is still in the process of being registered. FZR's ongoing royalty interest in EP 428 and EP 436 is not affected by this Deed.

Buru drilled the Yulleroo 4 appraisal well in EP 436 during the Quarter. According to Buru, this was the first well in the Buru – Mitsubishi 2013 drilling program.

**Retention Lease R1 and EP 104 (2% Royalty on 8% participation interest)**

The Company continues to monitor activities by the R1 joint venture participants. The Company's 8% participating interest in R1 was sold together with various other Canning Basin Assets in 2006.

Buru has advised that it has withdrawn from the EP 104 joint venture and has no further interest in EP 104 as of 31 January 2013. This means that FZR has no further royalty claim on an 8% participation interest in EP 104 under the applicable 'Canning Basin Royalty Deed' dated 26 August 2006, which as a result now covers 8 permits. During the Quarter the Company did not take up an offer of relevant 'abandonment property' that was made to it by Buru.

**Production Licence L15 (2% Royalty on 12% participation interest)**

The Company continues to monitor activities by the L15 joint venture participants.

**Royalty (3% of Well Head Value (net)) over EP129 and L6 and L8**

A small quantity of Blina oil field royalties were received by the Company from Buru on a monthly in arrears basis during the Quarter. Buru advises that there were no sales during February and March 2013. Accordingly, royalty revenue under the 'Lennard Shelf Royalty Deed' dated 5 September 2006 was \$3,581.76 for the Quarter, based on November to January sales by Buru. Year to date revenue under this royalty stream stands at \$13,389.58.

The Company is monitoring the activities on the 'Backreef Area' of L6 and EP129, particularly those of Oil Basins Ltd. It is understood that Buru continues to hold 100% of the Backreef Area on trust for Oil Basins Ltd and other parties due to the completion of the drilling of the East Blina-1 well on 31 October 2012. The beneficial interest in the Backreef Area is subject to FZR's royalty interest. The Company understands that if Buru elects to relinquish part or all of EP129 or L6 comprising the Backreef Area, then a right of first refusal is held by Oil Basins Ltd and other parties in connection with the relinquishment.

**Exploration, development and production activities**

The Company has not had any direct activities of this nature during the Quarter.

## **B) Other Projects and Assets & Corporate Matters**

### **Natural Gas (Canning Basin Joint Venture) Agreement Bill 2012**

The Company continues to note the existence of the Natural Gas (Canning Basin Joint Venture) Agreement Bill 2012 (WA). That Bill's purpose is stated as being to ratify, and authorise the implementation of, a so-called 'State Agreement' between the State of Western Australia and Buru, DRF, DRC and Mitsubishi relating to the evaluation, development and exploitation of natural gas resources in the Canning Basin region of WA, and for incidental and other purposes. The Bill reached the Second Reading stage in the WA Legislative Assembly on 15 November 2012.

The State Agreement referenced in that proposed legislation is called the Natural Gas (Canning Basin Joint Venture) Agreement 2012 and is dated 7 November 2012. It has not yet taken full legal effect as the Bill has not yet become law.

The Joint Venturers that are parties to the State Agreement (Buru, DRF and DRC (as defined above)) are stated to be the registered and beneficial holders of the 5 petroleum exploration permits as listed in the Schedule to the Agreement and granted under the Petroleum and Geothermal Energy Resources Act 1967 (WA). Those 5 'Petroleum Titles' (as defined in the Agreement) are the initial Petroleum Titles for the purposes of the Agreement and the Company notes that they comprise 5 (out of the now 8) Permits covered by the Company's 'Canning Basin Royalty Deed' dated 26 August 2006 (refer above).

The Agreement states that the Joint Venturers are actively exploring the Title Areas for petroleum including for the purposes of: (a) evaluating the technical and economic viability of the natural gas resources within the Title Areas (which areas are prospective for both conventional and unconventional resources); and (b) proving up sufficient reserves of natural gas to underpin the establishment and sustained operation of firstly the Domgas Project (as defined in the Agreement) and secondly the production of liquefied natural gas for export to overseas purchasers. The 'Title Areas' referred to in these provisions are the areas which from time to time during the continuance of the Agreement are the subject of the 'Petroleum Titles' (see above).

The Company will continue to monitor and review the intended commencement and operation of the State Agreement based on publicly available information and announcements by Buru.

### **EGL UK Shareholding**

The Company remains (to its knowledge) the largest registered shareholder in EGL UK at 75.657 million shares, or 25.45% of its approx. 297 million issued shares. The Company continues to evaluate this investment. EGL UK is an unlisted private company limited by shares. Further disclosures regarding EGL UK were made during the Quarter in the Company's rights issue offer booklet dated 12 February 2013 and in the FZR half yearly report issued on 14 March 2013.

**Agreements with EGL UK**

As previously advised, there are a number of contractual links between the Company and EGL UK or its European subsidiaries that remain in existence. The Company continues to review its position under these contracts and there are no material issues reportable as at the end of the Quarter beyond what was disclosed in the Company's rights issue offer booklet dated 12 February 2012.

**Rights Issue**

The Company successfully completed a 1 for 5 rights issue during the Quarter, raising approx. \$3.8 million before costs. A total of 15,131,446 fully paid ordinary shares were issued on 19 March 2013 at 25 cents per share. At the end of the Quarter the Company had 90,788,294 ordinary shares on issue, held by 1,139 registered shareholders.

Sebastian Hempel, Executive Director

29 April 2013