



NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of meeting: Tuesday, 24 September 2013

Time of meeting: 2.30pm (Sydney, Australia time)

Place of meeting: Greenwich Legal, Level 11, 50 Margaret Street, Sydney
Australia

**Please read the Notice of General Meeting and Explanatory Memorandum
carefully.**

**If you are unable to attend the General Meeting, please complete and return
the enclosed Proxy Form in accordance with the instructions.**

FITZROY RIVER CORPORATION LTD
(ACN 075 760 655)

NOTICE OF GENERAL MEETING

NOTICE is hereby given that a General Meeting of members of Fitzroy River Corporation Ltd (ACN 075 760 655) (the *Company*) will be held at Greenwich Legal, Level 11, 50 Margaret Street, Sydney Australia on Tuesday, 24 September 2013 at 2.30pm (Sydney, Australia time) for the purpose of transacting the following business.

ORDINARY BUSINESS

- 1. Approval of the sale of all of the shares the Company holds in European Gas Limited, including to Chaldon Asia Limited and Maritime Manufacturers Associates Ltd (*Purchasers*)**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the Company to sell, on or before 30 September 2014, all of the shares it holds in EGL UK for a price of at least \$0.12 per share, including a sale to the Purchasers on the terms and conditions set out in the Share Purchase Agreement summarised in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and votes cast by any of their associates.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Please refer to the accompanying Explanatory Memorandum attached to this Notice of General Meeting in relation to the above agenda item.

BY ORDER OF THE BOARD



Sebastian Hempel
Executive Director and Company Secretary

Date: 21 August 2013

PROXY INSTRUCTIONS

A Proxy Form is attached to this Notice of General Meeting. Shareholders are advised that:

- each Shareholder has a right to appoint a proxy to attend and vote for them;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint either one or two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment is for two proxies and does not specify the proportion or number of votes each proxy may exercise, then, in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of those votes.

The Shareholder may specify the manner in which the proxy is to vote on each resolution or may allow the proxy to vote at his or her discretion.

In accordance with section s250BA of the Corporations Act, the Company specifies that the Proxy Form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be:

- Posted to the Share Registry:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne, Victoria 3001 Australia
- Sent by facsimile to:
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

- Vote Online:

A proxy can be appointed electronically by visiting www.investorvote.com.au and following the instructions provided.

Those documents must be received by the Share Registry by 2:30pm (Sydney, Australia time) on 22 September 2013.

The Proxy Form must be signed in the manner set out in the Proxy Form.

If the Proxy Form specifies a way in which the proxy is to vote on the resolution stated above, then the following applies:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
- if the proxy is Chairman, the proxy must vote on a poll, and must vote that way; and
- if the proxy is not the Chairman, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If the proxy is also a Shareholder, the proxy can cast any votes the proxy holds as a Shareholder in any way that the proxy sees fit.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the General Meeting, Fitzroy River's Shares will be taken to be held by the persons who are registered as holding Fitzroy River's Shares at 7.00pm (Sydney, Australia time) on 22 September 2013. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

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1. PURPOSE AND SUMMARY

1.1. Proposed Sale

The Company is, to its knowledge, the largest registered shareholder in European Gas Limited (company number: 05321791) (**EGL UK**), with 75.657 million shares (**EGL UK Shares**), or 25.45%, of EGL UK's approximately 297 million issued shares.

On 11 August 2013, the Company signed a Share Purchase Agreement to sell its EGL UK Shares to Chaldon Asia Limited and Maritime Manufacturers Associates Ltd (together the **Purchasers**), for \$0.12 per EGL UK Share (representing a total purchase price of \$9,078,821.76) and subject to shareholder approval. The Purchasers are domiciled in the Bahamas and are understood to represent (respectively) the interests of two French national individuals, Mr. Jean Chalopin and Mr. Hugues Lamotte. One of the Purchaser companies, Chaldon Asia Limited, an entity controlled by Mr Chalopin, is understood to have an existing investment in EGL UK.

Refer to section 3.1 of this Explanatory Memorandum for further details regarding the terms of the Share Purchase Agreement.

1.2. ASX Listing Rule requirements

ASX Listing Rule 11.2 provides that if a company is undertaking a significant change that involves that company disposing of its “main undertaking”, then the company must obtain the approval of its shareholders.

ASX Guidance Note 12 provides that an entity can dispose of its main undertaking for the purposes of Listing Rule 11.2 through one transaction or a series of transactions. In the latter case, the transactions do not have to be inter-related or cross conditional. It is sufficient that they happen in reasonable proximity to each other and part of a concerted plan that, if successful, will result in a disposal of the main undertaking.

In June 2012 as part of the 2012 Buy-Back (described in section 2.1 of this Explanatory Memorandum), it was stated that as the Company then held the entire issued capital of EGL UK and as a substantial part of the group’s assets then sat in EGL UK, EGL UK may be considered (at that time) to be the Company’s “main undertaking”. It was also stated that “the Company’s disposal of its shareholding in EGL UK, a substantial asset, will amount to a disposal of its main undertaking for the purposes of Listing Rule 11.2.” Accordingly, as part of the 2012 Buy-Back, the Company sought (and received) shareholder approval to dispose of its EGL UK Shares, including for the purposes of Listing Rule 11.2 (*2012 Approval*).

In relation to the Proposed Sale the subject of the Notice of General Meeting, the Company is of the view that:

- (a) the EGL UK Shares are still a substantial asset of the Company, and may still be considered to be the Company's main undertaking;
- (b) the 2012 Approval was provided over a year ago, and may not be reasonably proximate to any further sale of EGL UK Shares; and
- (c) some shareholders who decided not to participate in the 2012 Buy-Back may have done so on the basis they would retain an ongoing indirect exposure to EGL UK,

and accordingly Listing Rule 11.2 should apply to, and Shareholder approval should be sought for, a further sale of the Company’s remaining EGL UK Shares.

Refer to section 5.6 of this Explanatory Memorandum for information regarding the potential application of Listing Rule 11.1.

1.3. Shareholder approval

The Company is therefore seeking the approval of its Shareholders, for the purposes of Listing Rule 11.2 and for all other purposes, to complete the sale of its EGL UK Shares to the Purchasers and, in any event, to complete a sale of its EGL UK Shares prior to 30 September 2014 for a price of at least \$0.12 per EGL UK Share (*Proposed Sale*).

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to a Shareholder’s decision whether or not to vote for the Resolution approving the Proposed Sale.

1.4. Directors’ recommendation

The Directors are of the view that the Proposed Sale to the Purchasers is in the best interests of Shareholders, and in the absence of a superior proposal or a material change in circumstances, unanimously recommend that Shareholders vote in favour of the Resolution the subject of this general meeting.

2. BACKGROUND TO PROPOSED SALE

2.1. 2012 Buy-Back

Prior to July 2012, the Company owned 100% of the shares in EGL UK. On 26 July 2012, the Company completed a significant buy-back of its own shares, pursuant to which participants in the buy-back received shares in EGL UK owned by the Company in exchange for their shares in the Company (**2012 Buy-Back**). As a result of the 2012 Buy-Back:

- (a) the Company's shareholding in EGL UK fell from 100% to 25.45%; and
- (b) the Company ceased to have control of EGL UK, or any material involvement or influence in the affairs of EGL UK.

Under the 2012 Buy-Back, it would have been theoretically possible for close to 100% of the Company's shares in EGL UK to have been transferred to shareholders participating in that buy-back. Accordingly, the Company's current shareholding in EGL UK is a legacy investment and the size of that investment is a result of the way in which the 2012 Buy-Back was structured.

2.2. Shift in Company's principal business activity

As a direct result of the 2012 Buy-Back, the principal activities of the Company shifted to being an oil and gas investment holding company with a current focus on non-operational assets such as royalties, free carried interests, and minority equity positions. The Company's primary focus has to date been in Western Australia, specifically the "Canning Superbasin" where the Company holds royalty interests in several permits via two separate Royalty Deeds entered into in 2006.

Shareholders endorsed this strategic shift by strongly supporting the Company's February 2013 renounceable rights issue, which recorded take up by shareholders of 76% of the new shares on offer and raised approximately \$3.8 million (before costs).

This strategic shift also resulted in the Company continually assessing its investment in EGL UK, including attempting to identify third party interest in acquiring its EGL UK Shares by various means of enquiry.

2.3. EGL UK

The following description of EGL UK is based on information provided to the Company by EGL UK. Further information regarding EGL UK, which is also based on information provided to the Company by EGL UK, can be found in the update letter provided by EGL UK to its shareholders as of May 2013 (released by the Company on 3 June 2013) (**May 2013 EGL UK Update**), the Company's half yearly report issued on 14 March 2013 and the Company's rights issue offer booklet dated 12 February 2013.

EGL UK was invited to comment on the Notice of Meeting and this Explanatory Memorandum and, in particular, the following description of EGL UK, however it has declined to do so.

The Directors note that the information provided below is unable to be independently verified by the Company.

(a) Principal activities

The principal activities of EGL UK involve the exploration and development of coal bed methane and coal mine methane gas prospects in Western Europe.

(b) Permits and assets

The primary assets held by EGL UK are interests in permits in France. EGL UK's main projects are two exploration permits in the Lorraine Basin (in north-east France) and rights in respect of the Nord Pas de Calais region (in northern France).

EGL UK is the largest coal bed methane explorer in Western Europe in terms of acreage under exploration.

(i) Lorraine Basin

EGL UK holds a 100% interest in two permits, covering 788km² of the Lorraine Basin.

In May 2010, EGL UK received notification of renewal of the **Bleue Lorraine** exploration permit which covers an area of 262 km² and expires on 30 November 2013. The Company understands that, although renewal of this permit has not yet occurred, EGL UK expects that it will occur (albeit the timing of this renewal is uncertain).

The **Bleue Lorraine Sud** exploration permit was awarded to EGL UK in 2007. The Company understands that this permit is still in the process of being renewed, and there is uncertainty as to when this will occur.

In addition, the Company understands that EGL UK has submitted an application for an additional 260km² area called **Blueue Lorraine Nord**. The Company understands that this application has been under review by the French government for over 5 years, and there is uncertainty as to when government approval will be obtained.

(ii) Nord-pas de Calais

Refer to section 2.6 of the Company's Notice of Extraordinary General Meeting lodged with the ASX on 4 June 2012 (*2012 Notice of EGM*), which details the assignment by the Company to EGL UK in March 2012 of its rights and interests under the **Gazonor Valenciennois Permit Farmout Agreement**, the **Gazonor Sud-Midi Permit Farmout Agreement**, and a **Production Sharing Agreement** over two permits or 'concessions' in France (*European Contracts*), in order to enable current or former Company shareholders who were to acquire EGL UK shares under the 2012 Buy-Back to have materially the same interests in those assets once they became EGL UK shareholders.

EGL UK's obligations under the two Farmout Agreements initially included expenditure requirements of €795,000 for the Valenciennois Permit, and €2 million for the Sud-Midi permit, in order for EGL UK to earn a 70% joint venture interest in those permits. EGL UK's obligations in respect of the Production Sharing Agreement include an expenditure requirement of €1 million in order for EGL UK to earn a 70% participating interest in any future production.

Further details of these European Contracts can be found in the announcements made by the Company on 27 and 30 May 2011.

As far as the Company is aware as at the date of the Notice of General Meeting, EGL UK has not yet agreed the budgets and plans necessary to commence meeting its expenditure requirements under the European Contracts, and there is uncertainty as to when this might occur.

Refer to section 5.5 of this Explanatory Memorandum for information regarding the Company's contingent liabilities under the European Contracts.

(iii) Operational announcements

Shareholders should also refer to the operational announcements made by EGL UK in May 2012 (and released by the Company on 1 May 2012 (Contingent Gas Resource Estimate) and 14 May 2012 (Successful Gas Flow Test in Lorraine, France)).

(iv) Other

- (A) EGL UK holds a 100% interest in the **Lons le Saunier** permit in the Jura Basin, originally granted in mid-2007. EGL UK previously completed a review of the conventional hydrocarbons potential of the permit and is now studying its unconventional hydrocarbons potential and preparing a work program to be followed on this permit.
- (B) EGL UK holds a 100% interest in the **Gaz de Gardanne** permit. This permit is located in an environmentally and socially sensitive area of France and EGL UK is assessing the best path forward to explore and appraise this property while also complying with its exploration commitments.

(c) Current status of the Company's investment in EGL UK

(i) As a result of the 2012 Buy-Back, the Company:

- (A) ceased to control EGL UK;
- (B) has no current material involvement or influence in the affairs of EGL UK; and
- (C) EGL UK is no longer the Company's primary focus.

Accordingly, the Company currently accounts for its investment in EGL UK as an available for sale investment.

(ii) The Company's investment in EGL UK currently produces no revenue for the Company. The Company incurs a small amount of expense involved in monitoring its investment in EGL UK.

(iii) Since the 2012 Buy-Back, and despite a number of requests, the Company has received only one formal public update on the affairs of EGL UK (being the May 2013 EGL UK Update which was released by the Company to the ASX on 3 June 2013).

That update noted, among other things, that:

- (A) EGL UK has been facing a difficult economic and political environment in France;
- (B) EGL UK has so far been unable to renew or extend its licenses in Lorraine and EGL UK management is working to receive government support on such renewals; and
- (C) EGL UK is working to raise further funds but continues to face delays.

(iv) Completion of the Proposed Sale will not affect the Company's potential joint and several liability for the obligations of EGL UK under the European Contracts. Refer to section 5.5 of this Explanatory Memorandum for further information.

3. PROPOSED SALE

3.1. Proposed Sale to Purchasers

The material terms of the Proposed Sale under the Share Purchase Agreement with the Purchasers, which is conditional on the approval of the Company's Shareholders, are as follows.

(a) Purchase price

The Company has agreed to sell, and the Purchasers have agreed to acquire, all of the fully paid ordinary EGL UK shares registered in the Company's

name (being 75,656,848 shares) for \$0.12 per share, representing a total cash payment to the Company of \$9,078,821.76.

(b) Conditions precedent

The Proposed Sale to the Purchasers is conditional on satisfaction of the following conditions precedent:

- (i) the Purchasers paying a deposit of \$200,000 to the Company. The deposit was received by the Company on 14 August 2013; and
- (ii) by 30 September 2013:
 - (A) the Company's shareholders approving the Proposed Sale by ordinary resolution; and
 - (B) the Company receiving from EGL UK and Mr Julien Moulin (a former director of the Company) a deed of release in relation to certain matters as between the Company and those parties.

The condition in clause 3.1(b)(ii)(B) may be waived by the Company at its discretion.

(c) Termination

Either of the Company, and the Purchasers acting jointly, may terminate the Share Purchase Agreement if a condition precedent in 3.1(b)(ii) is not satisfied (or waived) by 30 September 2013 or the Company enters into or implements a superior proposal.

In the event that the Company enters into a superior proposal, it may terminate the Share Purchase Agreement.

(d) Exclusivity

The Company has agreed that, during the one month period following the date of the Share Purchase Agreement (being 11 August 2013), it will not:

- (i) engage in discussions; or
- (ii) solicit, initiate or invite any inquiries, proposals or discussions, in relation to or which may be expected to lead to a competing proposal to the Proposed Sale to the Purchasers, provided that the Company may receive and discuss any approach to the extent necessary to satisfy the directors' fiduciary duties, and enter into any resulting superior proposal.

(e) Break fee payable by Company

In the event:

- (i) Shareholders vote against the Proposed Sale to the Purchasers;
- (ii) the condition precedent described in paragraph 3.1(b)(ii)(B) of this Explanatory Memorandum is satisfied or waived by the Company; and
- (iii) neither Purchaser has breached or is in breach of any obligation under the Share Purchase Agreement,

then the Company must pay to the Purchasers an aggregate break fee equal to \$200,000.

(f) Break fee payable by Purchasers

In the event the Purchasers fail to complete the Proposed Sale within three business days of the agreed completion date, or the Share Purchase Agreement is terminated earlier, as a result of a breach by a Purchaser, the Purchasers will be required to pay to the Company a break fee equal to \$200,000.

In the event the break fee becomes payable by the Purchasers, the Company will be entitled to immediately forfeit the \$200,000 deposit paid by the Purchasers to the Company.

3.2. Proposed Sale generally

In the event the Proposed Sale to the Purchasers does not complete, the Company is also seeking the approval of its Shareholders under the Resolution the subject of the Notice of General Meeting to complete a Proposed Sale prior to 30 September 2014 at a price of at least \$0.12 per EGL UK Share.

4. ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SALE

The Directors believe that the following non-exhaustive list of advantages and disadvantages may be relevant to a Shareholder's decision on how to vote on the Proposed Sale.

4.1. Advantages of the Proposed Sale

(a) Increases cash position

The \$9,078,821.76 in proceeds received under the Proposed Sale to the Purchasers will significantly increase the Company's cash position. The proceeds may be used in any one or more of the following ways as determined by the Board:

- (i) in the same manner as the proceeds received under the Company's renounceable rights issue which completed in March 2013, being:
 - (A) to maintain and progress the Company's existing Australian assets and in particular to fund the maintenance, administration, and other activities concerning the Company's suite of contracts surrounding and including the two Royalty Agreements with Buru Energy;
 - (B) to address any potential legacy issues and contingent liabilities concerning the Company and in particular to fund any legal action required in relation to the Company's dispute with Buru Energy over the calculation of its 2% royalty interest in respect of EP391 Ungani production (refer to section 5.2(a)(i)(B) of this Explanatory Memorandum); and
 - (C) for general working capital purposes, including general listed company expenses; and
- (ii) to acquire further oil and gas passive investments or royalty interests compatible with the Company's principal activities.

As a result of completing the Proposed Sale the Company may also give consideration to implementing a capital management initiative such as a share buy-back, special dividend or capital return.

(b) Proposed Sale removes uncertainty regarding the value of the Company's EGL UK Shares

Completion of the Proposed Sale will mean Shareholders are no longer exposed to a decrease in the value of the Company's EGL UK Shares. The Board believes this uncertainty is material given the following considerations.

(i) Uncertainty regarding exploration and development activities

As far as the Company is aware as at the date of the Notice of General Meeting, there is uncertainty on EGL UK's ability to progress its exploration and development activities in the near to medium term. As noted in the May 2013 EGL UK Update:

- (A) EGL UK has been facing a difficult economic and political environment in France;
- (B) EGL UK has so far been unable to renew or extend its licenses in Lorraine and EGL UK management is working to receive government support on such renewals; and
- (C) EGL UK is working to raise further funds but continues to face delays.

(ii) Value of EGL UK Shares

Since the 2012 Buy-Back, the Company has had difficulty in valuing its EGL UK Shares for financial reporting purposes. In this regard the Company notes the following:

- (A) As an unlisted private company, shares in EGL UK do not have a quoted market price in an active market, there are no quoted prices available and there are no known actual and regularly occurring market transactions (on an arm's length basis or otherwise).
- (B) The Company is not aware of any corporate activity with a material financial impact being completed or announced by EGL UK between 26 July 2012 and the date of the Notice of General Meeting.
- (C) There have not been any private arm's length transactions in the shares since 26 July 2012 that EGL UK knows of and as to which the price at which the shares were sold may be disclosed to the Company.
- (D) Apart from the offer made by the Purchasers under the Proposed Sale of \$0.12 per EGL UK Share, as far as the Company is aware as at the date of the Notice of General Meeting there is nothing else EGL UK can currently point to or disclose (with reference to IAS 39) that would assist EGL UK's shareholders who need to value their EGL UK Shares.

Accordingly, the Directors of the Company can give no assurance that, in accordance with AASB 139, the Company's investment in EGL UK will not need in future to be re-measured at a fair value less than its current book value.

The Company notes that in correspondence to the Company dated 16 August 2013, EGL UK stated that it disagreed with the value given to EGL UK by the Company, but did not state what it thought that value should be.

(iii) Potential capital raising by EGL UK

In the May 2013 EGL UK Update and the 2012 Buy-Back documents, EGL UK noted it was endeavouring to raise equity and/or debt funding to fund its operations.

The Company may or may not be invited to participate in any such capital raising endeavours and, if invited, the Directors may decide not to invest. The price at which such equity is raised by EGL UK may be at a discount to the current book value of the Company's EGL UK Shares. To the extent capital is raised at such a discount, the value of the Company's EGL UK Shares may be reduced.

Furthermore, any equity interests issued by EGL UK (or interests convertible into equity) to another person without a pro-rata issuance to the Company will dilute the Company's current shareholding in EGL UK of approximately 25.45%. If the Company's shareholding in EGL UK falls below 10%, the Company will lose its right to appoint a director to the board of EGL UK.

(c) Proposed Sale removes risks caused by difficulties in monitoring the Company's investment in EGL UK

Following completion of the 2012 Buy-Back, the Company has had no material involvement or influence over the affairs of EGL UK.

This is partially attributed to EGL UK being incorporated in a foreign jurisdiction in which the Company's current management and Board have a low level of familiarity. As this jurisdiction is not the same as the Company's, and due to distances and time differences, the Company has a low level of confidence that it will be able to exert its theoretical power, through its

25.45% shareholding, to participate in financial and operating policy decisions of EGL UK.

Furthermore, since the 2012 Buy-Back, and despite a number of requests by the Company, EGL UK has only provided one formal public update on its affairs (being the May 2013 EGL UK Update which was released by the Company to the ASX on 3 June 2013). However there has been private correspondence between the Company and EGL UK on a variety of matters concerning the affairs of EGL UK.

As a result the Company is unable to effectively monitor and protect its investment in EGL UK, which limitation poses a material risk to the Company's shareholders.

4.2. Disadvantages of the Proposed Sale

(a) Shareholders no longer exposed to potential upside in the value of the EGL UK Shares

As noted in section 4.1(b) of this Explanatory Memorandum, there is significant uncertainty as to the value of the Company's EGL UK Shares. While that uncertainty produces downside risk to Shareholders, it also exposes Shareholders to significant upside if the value of EGL UK increases. If the Proposed Sale is completed, the Company's Shareholders will no longer be exposed to any potential increase in the value of the EGL UK Shares, or derive any future potential benefits from EGL UK's assets, which increase and benefits may be material. This includes any gain made by the Purchasers on any resale of the Company's EGL UK Shares.

(b) Removal of opportunity to benefit from an alternative and possibly superior proposal

Shareholders may believe that a superior proposal relating to their interests in the Company and its EGL UK Shares is possible and the Proposed Sale would remove the opportunity to benefit from a superior proposal. This risk is inherent in most disposals.

However as at the date of the Notice of General Meeting, and notwithstanding efforts by the Company to source a superior proposal, the Directors are unaware of any alternative proposal that might offer the Shareholders a premium over the value resulting from the Proposed Sale.

5. IMPACT OF THE PROPOSED SALE ON THE COMPANY

5.1. General

The impact of the Proposed Sale on the Company, if completed, is that the Company will:

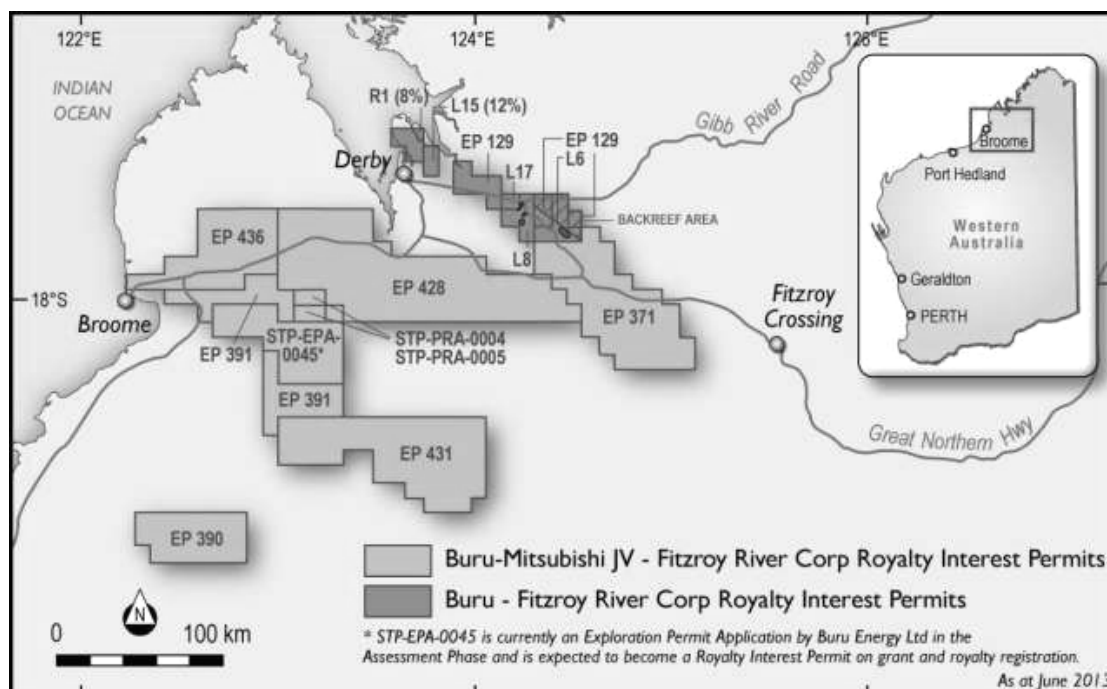
- (a) significantly increase its cash position, as shown in the unaudited pro forma balance sheet below at section 5.3 of this Explanatory Memorandum;
- (b) cease to hold any interest in EGL UK and its assets, and no longer be exposed to any downside risk or upside potential inherent in that investment;
- (c) retain ownership of its main assets (being royalty interests in several permits in the Canning Superbasin via two separate Royalty Deeds). See section 5.2 of this Explanatory Memorandum for further information; and
- (d) pursue the strategy outlined in sections 2.2 and 4.1(a) of this Explanatory Memorandum.

Furthermore the Company's potential joint and several liability for the obligations of EGL UK under the European Contracts will not be affected by completion of the Proposed Sale. Refer to section 5.5 of this Explanatory Memorandum for further information.

5.2. Remaining assets: Royalty interests in the Canning Superbasin

Following the completion of the Proposed Sale, the Company's immediate focus will remain on its royalty interests in several permits in the Canning Superbasin via two separate Royalty Deeds. Those Royalty Deeds were entered into in 2006 as part of an Australian asset sale process by the Company.

The map below shows the location of all of the royalty interests, including those under the Canning Basin Royalty.



- (a) Canning Basin Royalty - Canning Basin (Western Australia)
 - (i) Exploration Permits ('EP') 391, 431, 436, 371, 390 and 428
 - (A) General

In relation to these permits, the Company is entitled to a 2% royalty on all petroleum recovered pursuant to the Canning Basin Royalty Deed dated 26 August 2006 (*Canning Basin Royalty Deed*).

These six Permits are held 50% by Buru Energy Ltd (*Buru*) and 50% by either Diamond Resources (Fitzroy) Pty Ltd (*DRF*), or Diamond Resources (Canning) Pty Ltd (*DRC*), both of which are wholly owned subsidiaries of Mitsubishi Corporation (*Mitsubishi*). DRF and DRC are each responsible, as to 50%, for the obligations and liabilities under the Canning Basin Royalty Deed. Mitsubishi has guaranteed to the Company the performance of DRF's and DRC's obligations.

(B) Calculation of royalty

The Company is of the view that the 2% royalty interest calculation is to be performed as a "gross" royalty rather than a "net" royalty. Payments received by the Company to date have been calculated as a "net" (50%) royalty, and the holders of the various permits relating to the Canning Basin Royalty Deed disagree with the Company's "gross" royalty interpretation.

(C) EP 391 and anticipated 2014 production by Buru

The Ungani Field production test commenced in mid-2012 and continued until 24 February 2013. Production was suspended ahead of production logging operations.

On 10 July 2013, Buru announced that it had commenced line clearing operations for an Ungani 3D seismic survey, which the Company understands is still being acquired. The Ungani 3D survey will help confirm the oil volumes in the Ungani Oilfield, define optimal locations for development wells, and provide further information on the Ungani North oil discovery. According to Buru, once the 3D seismic survey is completed, it is planned that the Terrex seismic crew will commence a major 2D seismic program along the Ungani trend.

Buru last publicly released its monthly oil production statistics to the ASX on 19 March 2013. The Company notes that, in Buru's presentation released to the ASX dated 8 August 2013, Buru stated that it is planning for production of 3,000 barrels of oil per day (*bopd*) during 2014, increasing to over 5,000 bopd and possibly up to 7,500 bopd by the end of 2014.

The total amount Fitzroy River has received in production royalties in respect of Ungani production to date is \$98,370. The calculation of these payments (and future payments) remains under dispute, as noted in section 5.2(a)(i)(B) of this Explanatory Memorandum.

(ii) **Retention Lease R1 (2% Royalty on 8% participation interest)**

Fitzroy River continues to monitor activities by the R1 joint venture participants.

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

Fitzroy River continues to monitor activities by the L15 joint venture participants.

(iv) **STP-EPA-0045**

Buru has applied for an Exploration Permit over 25 blocks comprising EPA 0045. Fitzroy River believes that if and when it is granted, the EP

will be a 'Replacement Permit' referable to EP 391 and therefore Fitzroy River's 2% Royalty will apply to it. Fitzroy River has advised Buru of this.

(b) Lennard Shelf Royalty - Canning Basin (Western Australia)

(i) Royalty (3% of Well Head Value (net) over EP129 and L6 and L8 production and sales)

No Blina oilfield royalty payments were received by Fitzroy River from Buru during the Quarter ended 30 June 2013. Buru advised that there were no sales during the months of March, April, May and June 2013.

Total royalty revenue received under the 'Lennard Shelf Royalty Deed' dated 5 September 2006 was \$13,390 for the financial year. This compares to royalty revenue received in the previous financial year of \$20,360.

(ii) Backreef Area

Fitzroy River is monitoring the activities on the 'Backreef Area' of L6 and EP129, particularly those of Oil Basins Ltd.

It is understood that Buru holds 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 in accordance with the 'Backreef Play Agreement'. The beneficial interest in the Backreef Area is subject to Fitzroy River's royalty interest.

During the Quarter ended 30 June 2013 Fitzroy River began negotiations with Buru regarding the terms of a deed of covenant proposed to be entered into by the beneficial owners of the Backreef Area, to support Fitzroy River's royalty interest.

(iii) New Permit L17

During the Quarter ended 30 June 2013 a new petroleum production licence L17 was granted to Buru. L17 is over a single block (block 6275, which was formerly part of EP129) and is dated 10 April 2013. L17 constitutes a 'Replacement Permit' under the Royalty Deed. Fitzroy River is now working with Buru to register the Lennard Shelf Royalty against L17 as part of Fitzroy River's routine title maintenance activities (ensuring royalty dealings are and remain registered under Section 75 of the Petroleum and Geothermal Energy Resources Act (WA) against relevant permits). This block is not within the 'Backreef Area' of EP 129 (see above).

5.3. Unaudited Pro Forma Balance Sheet

Below is an abridged and unaudited pro forma statement of the financial position of the Company as at 30 June 2013 which assumes the Proposed Sale to the Purchasers is completed.

The statement has been prepared by Fitzroy River's management based on the unaudited statement of financial position and the Company's financial records as at 30 June 2013. It has been prepared on an abbreviated basis and does not contain all of the disclosures usually provided in an audited statement of financial position published under Chapter 2M of the Corporations Act 2001. Shareholders are advised that the audit process currently underway may result in the Company publishing an audited statement of financial position that is different to the unaudited one set out below.

It is noted that:

- (a) the entry into the Share Purchase Agreement under the Proposed Sale has also resulted in a write down of the fair value of the EGL UK Shares in the Company's financial statements for the financial year ended 30 June 2013,

from \$14.53 million (as stated in the 31 December 2012 half-yearly report) to \$9.08 million. Further details will be included in the Company's audited financial statements for the financial year ended 30 June 2013 which are due to be published by 30 September 2013; and

- (b) under Australian Accounting Standard AASB 138 (Intangible Assets), the Company is not permitted to recognise in its statements of financial position the royalty intangible assets that it holds.

	Note	30 June 2013 Actual (Unaudited) \$'000	Adjustments assuming completion of Proposed Sale \$'000	30 June 2013 Pro-forma (Unaudited) \$'000
Assets				
Current Assets				
Cash and cash equivalents	1	3,616	9,079	12,695
Trade and other receivables		30		30
Total current assets		3,646		12,725
Non-current assets				
Available for sale financial assets	2	9,107	(9,079)	28
Total assets		12,753		12,753
Liabilities				
Trade and other payables		40		40
Total liabilities		40		40
Net assets		12,713		12,713
Issued capital	3	42,284		42,284
Reserves and losses		(29,571)		(29,571)
Equity		12,713		12,713

Notes:

1. Comprises a term deposit of \$3 million and cash at bank of approx. \$616,000; on 19 March 2013 the Company received \$3.783 million in gross proceeds from an issue of shares.

2. Comprises primarily the EGL UK Shares at a re-measured fair value of \$9.079 million (i.e. at \$0.12 per share) as a result of the entry into the Share Purchase Agreement - refer paragraph 5.3(a) above.
3. Represents share capital of \$42,284,210 represented by 90,788,294 ordinary shares on issue, of which 15,131,446 were issued on 19 March 2013 at \$0.25 per share.

5.4. Tax treatment

The sale proceeds of approximately \$9.08 million (before costs) will significantly increase the Company's cash reserves. As at 30 June 2013 the Company has carried forward capital losses of approximately \$20 million and these are expected to be available to offset the capital gain of approximately \$9.08 million to be made on this share sale in the 2014 tax year. As a result a deferred tax liability is no longer held in the statement of financial position (as it was in the latest half-yearly report) in relation to the Company's investment in EGL UK.

5.5. Contingent liabilities under European Contracts

(a) Joint and several liability under European Contracts

Refer to section 2.3(b)(ii) of this Explanatory Memorandum which details the assignment by the Company to EGL UK in March 2012 of its rights and interests under the European Contracts. As part of that assignment Fitzroy River agreed to become jointly and severally liable for the obligations of EGL UK under the European Contracts.

(b) European Contracts delayed and extended

As far as the Company is aware as at the date of the Notice of General Meeting, EGL UK has not yet agreed the budgets and plans necessary to commence meeting its expenditure requirements under the European Contracts, and there is uncertainty as to when this might occur.

The Company also understands that the European Contracts may have been amended in order to extend the time in which the necessary budgets and plans are to be agreed, and EGL UK can commence meeting its expenditure requirements. The Company was not consulted or formally notified in relation to those amendments.

(c) Liability not affected by Proposed Sale

The Company's potential joint and several liability for the obligations of EGL UK under the European Contracts will not be affected by completion of the Proposed Sale.

(d) Indemnity from EGL UK

EGL UK has entered into a deed of indemnity with the Company dated 1 May 2012, as described in section 2.6 of the Company's 2012 Notice of EGM (*EGL UK Deed of Indemnity*). Should the Company be called upon to perform the obligations of EGL UK under the European Contracts, the Company would be entitled to claim any cost, liability or expense incurred in relation to those obligations under the EGL UK Deed of Indemnity (although in such circumstances there can be no guarantee that the Company will in fact be able to recover any such cost, liability or expense from EGL UK).

5.6. Listing Rule 11.1

ASX Listing Rule 11.1 provides that if an entity proposes to make a significant change to the nature or scale of its activities, it must get the approval of its shareholders for that change and, if ASX requires, it must meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to list on the ASX.

As noted above the Company intends to use the cash proceeds from the Proposed Sale to pursue the strategy outlined in sections 2.2 and 4.1(a) of this Explanatory Memorandum. It is possible (although not anticipated by the Company) that in deploying those cash proceeds:

- (a) the Company may trigger Listing Rule 11.1 and require further Shareholder approvals to implement its strategy; and
- (b) ASX may also require the Company to meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if it were applying for admission to list on the ASX.

6. INDICATIVE TIMETABLE

An indicative timetable of certain events relating to the Proposed Sale is set out below:

Event	Date
Last day to lodge Proxy Forms	2:30pm (Sydney, Australia time) on 22 September 2013
Record date for voting at the Meeting	7:00pm (Sydney, Australia time) on 22 September 2013
Shareholder Meeting to approve Resolution	Tuesday, 24 September 2013
Anticipated completion of the Proposed Sale with the Purchasers	Friday, 27 September 2013

7. DIRECTORS' INTERESTS AND RECOMMENDATIONS

7.1. Directors' interests

The Directors advise that they have no interest in the Company or in the Resolution to be considered by Shareholders other than as a result of their respective shareholdings in the Company.

7.2. Directors' recommendation

The Directors are of the view that the Proposed Sale to the Purchasers is in the best interests of Shareholders, and in the absence of a superior proposal or a material change in circumstances:

- (a) unanimously recommend that Shareholders vote in favour of the Resolution the subject of this general meeting; and
- (b) intend to vote in favour of the Resolution with respect to their own shareholdings.

GLOSSARY

TERM	MEANING
2012 Buy-Back	Refer to section 2.1 of this Explanatory Memorandum.
\$	means Australian dollars.
ASX	means ASX Limited (ACN 008 129 164).
ASX Listing Rules	means the listing rules of ASX.
Board or Directors	means the current board of directors of the Company.
EGL UK	means European Gas Limited (company number 05321791), a private and unlisted company incorporated in England and Wales, and former subsidiary of the Company.
European Contracts	Refer to section 2.3(b)(ii) of this Explanatory Memorandum.
EGL UK Deed of Indemnity	Refer to section 5.5(d) of this Explanatory Memorandum.
EGL UK Shares	means 75,656,848 ordinary shares in EGL UK.
Fitzroy River or Company	means Fitzroy River Corporation Ltd (ACN 075 760 655) (ASX Code: FZR).
May 2013 EGL UK Update	Update letter provided by EGL UK to its shareholders as of May 2013 (released by the Company to the ASX on 3 June 2013).
Proposed Sale	the proposed sale of the Company's EGL UK Shares prior to 30 September 2014 for a price of at least \$0.12 per EGL UK Share, including to the Purchasers pursuant to the Share Purchase Agreement.
Purchaser or Purchasers	Chaldon Asia Limited (Company number 151008 B) and Maritime Manufactures Associates Ltd (Company number 166442 B), both entities domiciled in the Bahamas.
Record Date	means 7:00pm (Sydney, Australia time) on 22 September 2013.
Share Purchase Agreement	means the agreement entered into by the Company and the Purchasers dated 11 August 2013 and summarised in section 3.1 of this Explanatory Memorandum.
Shareholders	means the registered holders of Shares as at the Record Date.

