

## **ASX ANNOUNCEMENT**

### **Litigation commenced regarding proper construction of the Canning Basin Royalty Deed**

Sydney, Monday 26 August 2013

Fitzroy River Corporation Limited ('Fitzroy River' or the 'Company') announces that it has today filed an Originating Summons in the Supreme Court of Western Australia seeking a declaration concerning the proper construction of those terms of its 'Canning Basin Royalty Deed' that relate to the calculation of the royalty.

The Company is seeking a declaration that upon a proper construction of the terms of the Royalty Deed dated 26 August 2006 ('Canning Basin Royalty Deed') between the Company and ARC Energy Limited (ACN 009 204 031) (now ARC Energy Pty Limited) it is entitled to be paid a royalty at the rate of 2% of the gross value in Australian currency of petroleum at the well head (as agreed or determined from time to time for the purpose of calculation of the State Royalty) which is recovered from the area covered by the permits the subject of the Canning Basin Royalty Deed without deduction for any costs or expenses.

The Originating Summons names four defendants: Buru Energy Limited, Diamond Resources (Canning) Pty Ltd and Diamond Resources (Fitzroy) Pty Ltd (Australian subsidiaries of Mitsubishi Corporation), and Mitsubishi Corporation, a Japanese company. The Company is taking the necessary steps to serve the Originating Summons on the defendants.

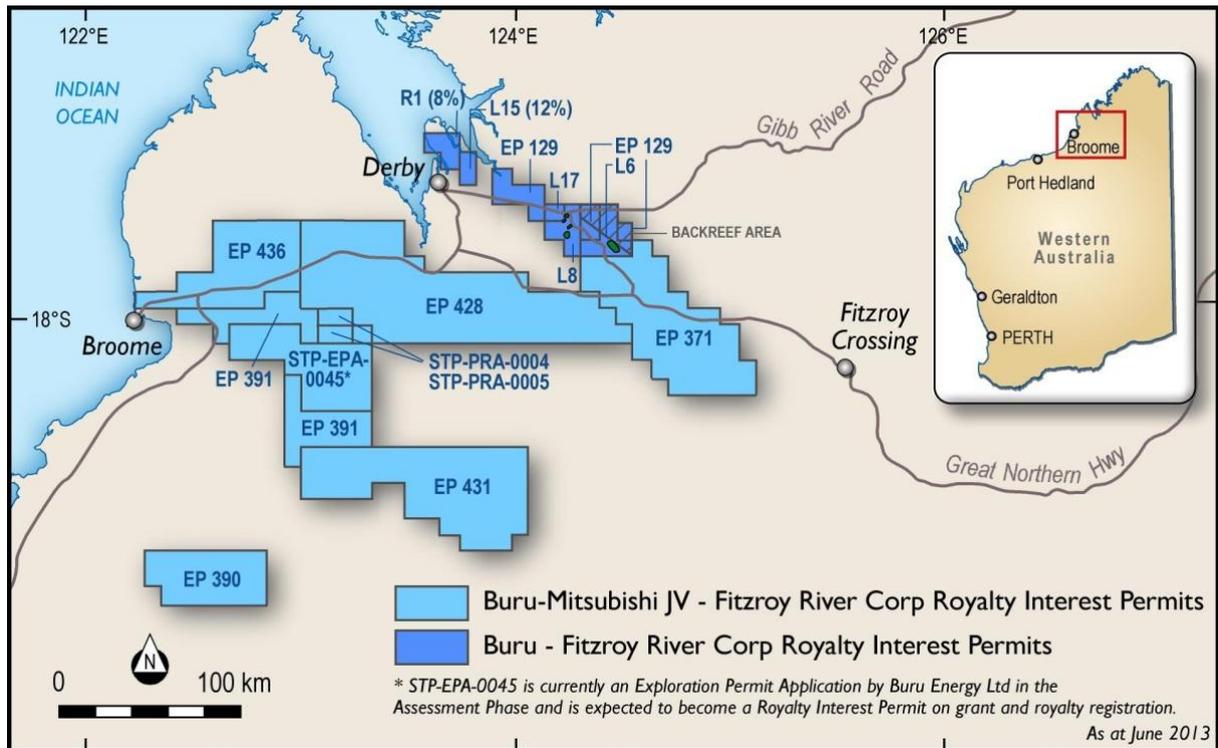
Under the Canning Basin Royalty Deed, the Company holds a 2% royalty interest in several permits in the Canning Basin, including EP 391. EP 391 is currently held by Buru Energy Limited (50%) and Diamond Resources (Fitzroy) Pty Ltd (50%), and operated by Buru Energy Limited.

The Company in late July 2012 received its first ever quarterly royalty payments under the Canning Basin Royalty Deed and these were in respect of EP 391 Ungani Field Petroleum production (under an extended production test) for the quarter ended 30 June 2012. Following the receipt of the small first royalty payments, the Company closely reviewed the terms of the Canning Basin Royalty Deed, and in particular, the basis for calculation of the royalty payments. As a consequence of this review, the Company came to the view that it is entitled to a 'gross' royalty rather than a 'net' royalty. An announcement disclosing the existence of this dispute was made to the ASX on 2 October 2012.

Quarterly payments have been received for the subsequent 4 quarters in respect of Petroleum recovered and sold from the Ungani Field. Payments received to date (totalling

\$98,370) have been calculated by the 2 payers as a 'net' (50% of gross value at the well head) royalty on Petroleum produced from the Ungani-1ST1 well and the Ungani-2 well.

The Canning Basin Royalty Deed presently covers the permits colored in light blue as shown in the map set out below (within the Buru-Mitsubishi Joint Venture), as well as small interests in R1 and L15 (in dark blue). STP-PRA-0004 and STP-PRA-0005 are applications for Petroleum Production Licences relating to production from the Ungani Field.



Chairman of Fitzroy River, Malcolm McComas said, "We have launched these proceedings in order to get some certainty over the calculation of Fitzroy River's entitlements under the royalty that was created when Fitzroy River sold the Canning Basin assets to Arc Energy back in 2006. We fully support the work Buru and Mitsubishi are putting into these assets and we hope this dispute on the calculation of the royalty can be resolved quickly."

The Company will update the market with announcements on material developments regarding this matter as and when appropriate.

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