

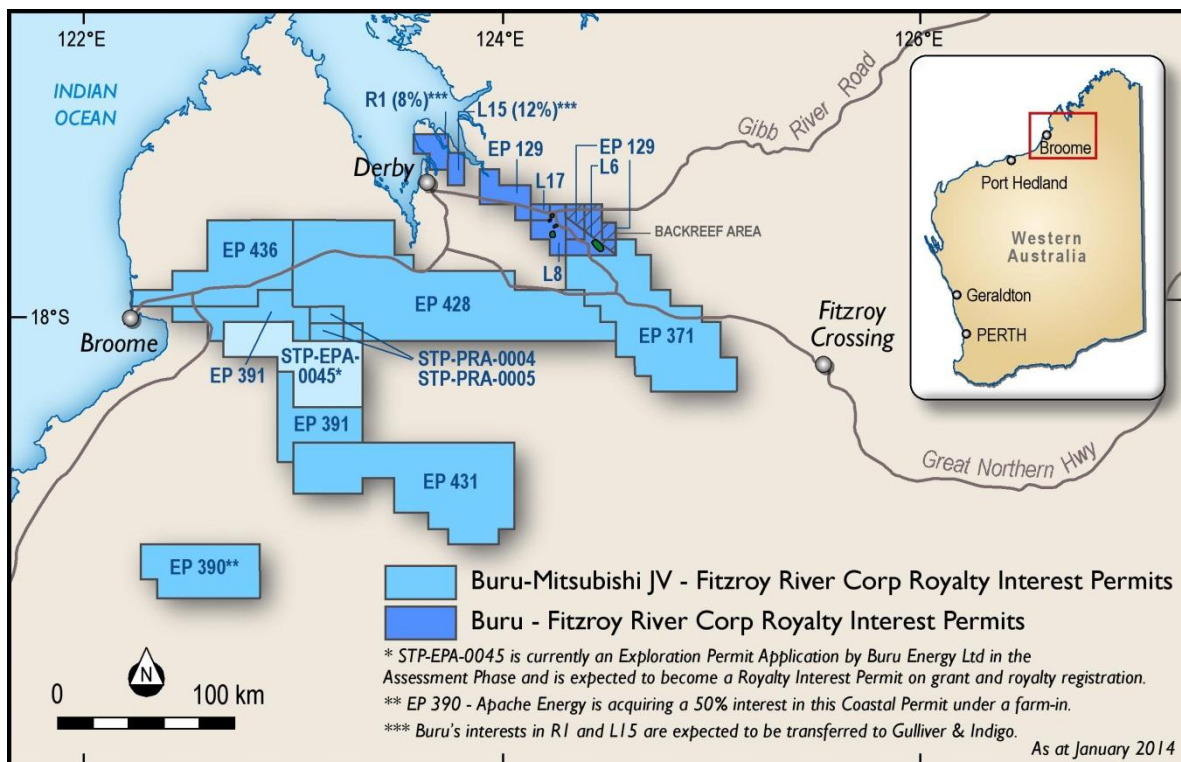
## Quarterly Activities Report (for the Quarter ended 30 June 2014)

Fitzroy River Corporation Ltd ('Fitzroy' or the 'Company') reports on its activities during the 3 months ended 30 June 2014.

Fitzroy holds royalty interests in several permits in the Canning Basin (via 2 separate Royalty Deeds).

### A) Canning Basin Royalty - Canning Basin (Western Australia)

The map below shows the location of all of the royalty interests, including those under the Canning Basin Royalty. Except for R1 and L15, the dark blue areas are under the Lennard Shelf Royalty discussed in section B) below.



The Canning Basin Royalty has the potential to become an important income producing asset of Fitzroy.

#### **EP 391, EP 431, EP 436, EP 371, EP 428 (2% Royalty) – Buru-Mitsubishi JV**

These 5 Permits as shown in the map above are currently 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 currently each responsible, as to 50%, for the obligations and liabilities under the 26 August 2006 'Canning Basin Royalty Deed' relating to these 5 Permits. Mitsubishi has guaranteed to Fitzroy the performance of DRF's and DRC's obligations. See the discussion regarding EP 390 below, which has resulted in DRC and Buru having reduced equity (of 25% each) in EP 390.

#### **Ungani Field production - EP 391 (R2) (2% Royalty on 100% participation interest)**

Fitzroy continues to closely monitor relevant announcements concerning the Ungani Field that are made by Buru, particularly regarding its development and production plans. Buru announced on 13 December 2013 that oil production from the Ungani Field had recommenced. Crude oil is now trucked from Ungani to a storage facility at the Port of Wyndham.

Buru's Operations Update to the ASX subsequent to the end of the quarter on 14 July stated:

*"...The Ungani 2 well continues to produce strongly with production above 1,000 bopd at current choke settings, with very low water cut of ~1% in accordance with current modelling predictions."*

As at Quarter end, STP-PRA-0004 and 0005, the applications for Petroleum Production Licenses in respect of the Ungani Field (lodged in May 2012, and to be carved out of EP 391 as shown in the above map) were still in the assessment stage.

#### **Royalty Payments Received during the Quarter**

The Company notes that it received the first royalty payments for the second Ungani EPT, but these have been paid on the disputed and delayed basis as outlined in the last Quarterly Report. The royalty appears to relate to a combined sale of approx. 32,000 barrels of crude oil in Feb/March 2014. The total amount Fitzroy received in production royalties during the Quarter in respect of Ungani EPT production was \$31,415.41 (paid, as distinct from accrued). Fitzroy is expecting further quarterly royalty payments from Buru and DRF in 2014 now that oil production has recommenced. However, Fitzroy is now engaged in discussions with Buru and DRF as to the correct timing of quarterly royalty payments, particularly concerning royalties on changes in inventories during each quarter. Fitzroy maintains that a royalty payment should have been made in late January 2014 in respect of oil recovered during the December quarter, regardless of when the oil is (or was) sold.

#### **Royalty Calculation Dispute**

For further details regarding calculation of this royalty, which remains under dispute, refer to Fitzroy's announcements dated 2 October 2012, 26 August and 12 December 2013, as well as periodic reports by the Company.

Fitzroy announced on 26 August 2013 that it had 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. Fitzroy announced that it was seeking a declaration that upon a proper construction of the terms of the Royalty Deed dated 26 August 2006 between

the Company and ARC Energy Limited (ACN 009 204 031) (now AWE Perth Pty Limited, 'ARC') 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.

During the Quarter, the discovery phase of the litigation continued as well as conferral surrounding the Statement of Agreed Facts and Issues in Dispute which was filed subsequent to the end of the quarter. The proceedings are next before the court on 10 September for directions however this is subject to review as the proceedings are to be referred to mediation with the referral likely to occur in early September with the mediation to take place in the following 3 months after referral and subject to the availability of the court, counsel and all parties.

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

Fitzroy continues to monitor activities by the R1 joint venture participants. Fitzroy's 8% participating interest in R1 was sold together with various other Canning Basin Assets in 2006. R1 is over 3 blocks and renewal number 1 was granted on 8 November 2010. Fitzroy's 8% royalty rights have been held as against Buru, one of the joint venture participants.

On 23 December 2013, Buru announced that its 43.28% interest in R1 is to be transferred to Gulliver Productions Pty Ltd ('Gulliver', a subsidiary of Key Petroleum Limited) and Indigo Oil Pty Ltd ('Indigo') as part of an asset swap and Buru's 'ongoing acreage rationalisation program'.

The assignment provisions of the Canning Basin Royalty Deed apply to this transaction and, as stated in the last quarterly report, in late March 2014, the Company was disappointed to learn that Fitzroy's previously advised requirements had not been followed in relation to a Deed of Covenant between Buru, Indigo and Gulliver which is dated 20 December 2013. Fitzroy is currently considering its position but is of the view that the Royalty Deed does not release Buru from any of its obligations thereunder in respect to Fitzroy's interest and is in the process of taking this matter up with Buru, Indigo and Gulliver.

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

Fitzroy continues to monitor activities by the L15 joint venture participants. L15 (over 2 blocks) was granted on 1 April 2010 and expires on 31 March 2031. Fitzroy's 12% royalty rights have been held as against Buru, one of the joint venture participants.

On 23 December 2013, Buru announced that its 15.50% interest in L15 is to be transferred to Gulliver and Indigo as part of an asset swap and Buru's 'ongoing acreage rationalisation program'.

The assignment provisions of the Canning Basin Royalty Deed apply to this transaction and, as stated both in the last quarterly report and referred to above, in late March 2014, the Company was disappointed to learn that Fitzroy's previously advised requirements had not been followed in relation to a Deed of Covenant between Buru, Indigo and Gulliver which is dated 20 December 2013. Fitzroy is currently considering its

position but is of the view that the Royalty Deed does not release Buru from any of its obligations thereunder in respect to Fitzroy's interest and is in the process of taking this matter up with Buru, Indigo and Gulliver.

#### **STP-EPA-0045**

In October 2011, Buru applied for an Exploration Permit over 25 blocks comprising EPA 0045. On 9 October 2013, Fitzroy advised Buru that if and when it is granted, the EP will be a 'Replacement Permit' referable to EP 391 (as it stood in 2006 when sold by Fitzroy) and therefore Fitzroy's 2% Royalty will apply to it. Buru has advised that its view is that the EP shouldn't constitute a 'Replacement Permit'. The EPA remains in the assessment phase as at Quarter end.

#### **EP 390 – Apache Farm-in**

On 4 November 2013, Buru announced that a subsidiary of Apache Energy Limited will farm-in to a number of permits in the Buru-Mitsubishi joint venture. EP 390, one of the so-called 'Coastal Permits' and comprising 20 blocks, was to become 50% held by Apache Onshore Holdings Pty Ltd ('Apache') once Apache funded an exploration program on the Coastal Permits during 2014.

The assignment provisions of the Canning Basin Royalty Deed applied to this transaction and during the previous quarter a Deed relating specifically to EP 390 was entered into by Fitzroy with Apache, DRC, Buru and Apache Energy Ltd and which is dated 14 March 2014. Under the Deed, Apache has assumed (as from 12 May 2014, the completion date of the Apache farm-in) the responsibility to pay royalties to Fitzroy as to 50% of the Petroleum recovered from the area of EP 390 (leaving DRC and Buru at 25% each). Apache Energy Ltd has guaranteed the obligations of Apache to Fitzroy. Apache has also acknowledged the Supreme Court proceedings mentioned above and agreed to abide by any binding settlement or final judgment in the Court proceedings. The Deed was lodged for registration on 19 March 2014.

Towards the end of the previous quarter a suspension with extension application on EP 390 was approved.

#### **EP 428, EP 431, EP 371 (R1) and EP 436**

Renewal applications for these 4 permits were lodged by Buru in late October 2013. These 4 permits are 4 out of the 5 State Agreement permits (discussed extensively in previous reports by Fitzroy) and are exempt from the requirement to drop 50% of the blocks as part of the renewal application process.

As at Quarter end these applications were in the assessment stage.

## **B) Lennard Shelf Royalty - Canning Basin (Western Australia)**

### **Royalty (3% of Well Head Value (net)) over EP 129 and L6 and L8 production and sales**

No Blina oilfield royalty payments were received by Fitzroy from Buru during the Quarter. Buru stated as follows in its financial statements for the year ended 30 June 2013:

*“Blina and Sundown*

*Oil sales from the Company’s Blina and Sundown oilfields, in the L6 and L8 production licences, averaged approximately 34 bopd before the Fields were shut-in in January 2013 due to weather and operational constraints. A review is being undertaken to consider options to maximise the value from these Fields.”*

**EP 129**

The Lennard Shelf Royalty was created by a Royalty Deed dated 5 September 2006 over the entire area covered by EP 129, as well as over L6 and L8. It was registered on 2 March 2007 against those 3 licences as dealing number 24-26/06-7.

Fitzroy notes that Buru had applied for a suspension with extension for the 8 block EP 129 (R5), with such application having been made on 30 August 2013. The application was approved late in the previous quarter, such that the new expiry date is 31 January 2016.

**Backreef Area of EP 129 and L6**

Fitzroy is monitoring the activities on the ‘Backreef Area’ of L6 and EP 129, 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’ dated 30 October 2008. As previously announced, Fitzroy had some negotiations with Buru during 2013 regarding the terms of a deed of covenant proposed to be entered into by the beneficial owners of the Backreef Area, to support Fitzroy’s royalty interest. As at Quarter end, the contractual relationship governing the 3% royalty obligation (which is registered against L6 and EP 129) is between Fitzroy and Buru alone.

**L17**

During April 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). L17 constitutes a ‘Replacement Permit’ under the Royalty Deed. In July 2013 Fitzroy applied to register the Lennard Shelf Royalty against L17 and this is being done as part of Fitzroy’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). On 19 May 2014 the registration application was approved.

**C) Other Projects and Assets & Corporate Matters**

**Exploration, development and production activities**

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

### **Petroleum tenement and farm-in agreement information**

In accordance with new ASX Listing Rule 5.4.3, but noting its several royalty interests as described above, Fitzroy advises that:

- 1) No petroleum tenements were held at the end of the Quarter;
- 2) No petroleum tenements were acquired or disposed of during the Quarter;
- 3) The beneficial percentage interests held in farm-in or farm-out agreements at the end of the Quarter was nil; and
- 4) The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the Quarter was nil.

### **Shareholders**

As at 30 June 2014, Fitzroy had 90,788,294 ordinary shares on issue, held by 1,076 registered shareholders. The Company also advised of a change in its share registry provider to Boardroom Pty Limited and at the same time a change in its principal place of business to Level 7/15 Castlereagh Street, Sydney.

### **Tax Loss Position**

As indicated in the Company's recent half-yearly report issued in March 2014, in connection with work done on the Company's 2013 tax return (which has now been lodged), the Company has been reviewing its overall capital and tax loss position, including as to quantum. It has been recently determined that the Company has tax losses of \$541,000 as of 30 June 2013 (and no tax losses or capital losses from prior years). These tax losses may be offset against taxable income derived by the Company in future years provided certain requirements are satisfied. In particular, the availability of the tax losses is subject to passing the continuity of ownership test ('COT'), or if that test is failed, to passing the same business test ('SBT'). There can be no assurance that either of these tests will be satisfied at applicable times. It has also been determined that as regards the sale of the remaining 25% interest in EGL UK that was disposed of in August 2013 and is to be addressed in the Company's 2014 income tax return, the AFBA percentage of EGL UK calculated in relation to this disposal is above 90%. Accordingly, no capital gain or loss will be recognised for Australian income taxation purposes in relation to this sale. The Company continues to have a zero franking credit balance.

### **Buy-back**

On 13 May Fitzroy announced its intention to undertake an on-market share buy-back of up to 9,070,000 ordinary shares representing just under 10% of its shares on issue over a 12 month period between 30 May 2014 and 30 May 2015 unless terminated earlier. Fitzroy has appointed Taylor Collison to undertake the buy-back. As at the date of this report the Company has not yet bought back any of its own shares. In its announcement to the ASX of 13 May the Company stated:

*"The buy-back gives Fitzroy the flexibility to buy back the Company's ordinary shares at any time over the next 12 months at such time and in such circumstances as it considers beneficial to the efficient capital*

*management of the Company. The buy-back is therefore dependent on market conditions, volumes, price and other relevant conditions from time to time. The buy-back may also enable shareholders to take advantage of the expected additional liquidity in the Company's shares."*

### **Board Changes**

On 14 April Fitzroy announced that Mr Sebastian Hempel retired as joint Company Secretary and on 30 June announced the retirement of Mr Hempel as a director and the appointment of Justin Clyne to fill the casual vacancy. Mr Hempel left the Company with the Board's thanks and with the Company in good shape as it positions itself for future growth and further investments.

### **Malcolm McComas**

Non-Executive Chairman

Dated: 31 July 2014

### **Important**

*Certain information in this report refers to the statements, intentions or opinions of Buru Energy Ltd (ABN 71 130 651 437, ASX Code: BRU) and is based on public statements by it. Statements have been attributed to Buru Energy Ltd where applicable. Petroleum production targets announced by Buru Energy Ltd are subject to risks, uncertainties and other factors that may cause Fitzroy's actual results, performance or achievements to differ from those suggested or referred to in this report and regard should be given to Buru's statements and other announcements concerning the risks, uncertainties and other factors that may cause Buru to not meet production targets or result in delays meeting those targets.*

*As and when Fitzroy becomes aware of information concerning it in connection with its royalty and other assets then Fitzroy intends to comply with its continuous disclosure obligations under Australian law. Information about specified events or matters that may have some connection with Fitzroy's royalty assets is often being made known or generally available by Buru Energy Ltd (ABN 71 130 651 437, ASX Code: BRU) or other listed entities, and other information may consist of readily observable matters.*

*Market participants and investors making or drawing their own deductions, conclusions or inferences from any other company's ASX announcements do so at their own risk.*