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NOTICE TO SHAREHOLDERS

MAJOR CAPITAL RAISING TO FUND 3D SEISMIC ACQUISITION - A STRATEGY TO RETAIN 100% CONTROL OF EXPLORATION PERMIT NT/P68

The Company has made a placement of 10% of the issued capital of the Company (14,055,010 ordinary shares) at 22.5 cents per share to Cambrian Oil & Gas Plc to raise approximately \$3.16 million. As part of the placement terms the Company has agreed to seek shareholders' approval for the grant to Cambrian Oil & Gas Plc of one free option for each of the placement shares (14,055,010 options) exercisable at 25 cents by April 30, 2007. The placement increases the Company's issued capital to 154,605,115 ordinary shares. Cambrian Oil & Gas Plc has also acquired 5.5 million shares from the trustee of the Company's Share Trustee Scheme by special crossing, raising an additional \$1.1 million.

Cambrian Mining Group is a London based, diversified mining house with international interests in coal, iron ore, metals and energy together with related technologies. Cambrian's growth strategy is partly based on the identification of under-valued resource projects, particularly where the holding company controls 100% of its project. Cambrian then assists in the financing, structuring and development necessary to bring such projects into commercial production. In this sense, Cambrian is an active investor that seeks to support the management team for the optimal development of the projects.

The Company's Exploration Permit, NT/P68, has been reviewed by a number of large international companies over the past 12 months. These reviews led to discussions of farmin terms and it became clear that the proposed terms would involve the assignment of a significant interest in the permit and would not provide certainty of gas supply to the proposed methanol and LNG projects. The Cambrian Mining Group approached the Company with a funding strategy that allowed the Company to advance the exploration and appraisal of NT/P68 while retaining 100% of the permit.

SHAREHOLDER ENTITLEMENT ISSUE

Shareholders will be offered the opportunity to participate in a capital raising on the same terms as the placement to Cambrian via a non-renounceable pro-rata rights issue of one (1) ordinary share at an issue price of 22.5 cents for every four (4) shares held on August 11, 2006, which will raise approximately \$8,696,500 before expenses. For each share subscribed, the Company will grant one free option exercisable at 25 cents by April 30, 2007. Application will be made to ASX for the options to be listed. Tolhurst Noall Limited has been appointed Lead Manager and Underwriter to the rights issue. The underwriting agreement was executed on 28 July 2006.

Following the entitlement issue the Company's issued capital will be approximately 193,256,393 ordinary shares and there will be an approximate total of 52,706,288 unissued shares in the capital of the Company subject to outstanding 30 April 2007 options (assuming shareholders approve the grant of 14,055,010 options to Cambrian Oil & Gas Plc). In

determining shareholder entitlements fractions will be disregarded. It is anticipated that a prospectus and entitlement and acceptance form will be sent to shareholders on 16 August, 2006. The entitlement issue is expected to close on 11 September 2006. The notice of General Meeting seeking shareholders' approval for the grant of options to Cambrian will be sent at the same time as the prospectus for the entitlement issue.

The sale of Trustee shares, the placement and the rights issue will collectively raise approximately \$13 million before expenses which will fund the acquisition and processing of 2D and 3D seismic surveys in the Company's 100% owned Exploration Permit, NT/P68.

The Epenarra structure is a broad, flat anticline at the Darwin Formation level with a mapped closure of approximately 1,200 sq km. The estimated in place contingent resource for gas in Epenarra ranges from 2930 BCF (low estimate: P90) to 9400 Bcf (high estimate: P10) with a mean contingent resource of 5620 Bcf (P50: most likely). "Contingent resources" are those resources which relate to quantities of petroleum which are estimated, on a given date, to be potentially recoverable from a known accumulation but which are not currently considered to be commercially recoverable. Heron-1, drilled by ARCO in 1972, recorded several interpreted gas bearing zones, including a 50m fractured carbonate interval in the lower section of the Darwin Formation. Studies indicate that the gas quality in this section may be low in carbon dioxide with the possibility for attractive levels of associated condensate.

In this regard, the Company is securing a vessel to acquire approximately 400 square km of 3D seismic, which is designed to identify the density, distribution and orientation of faults and fracturing within the 50m gas bearing zone intersected by Heron-1 and to determine the optimum location for an appraisal well to test the productivity of this interval. Drilling is planned for late 2007. Subject to confirmation by appraisal drilling, the known gas accumulation could underpin the Company's proposed LNG project.

The Company has previously announced the award of a 2D acquisition contract to the Compagnie Generale de Geophysique Group (CGG) to acquire approximately 600 line kilometres of infill 2D seismic over the Blackwood lead in NT/P68, also during September 2006. The new seismic data will improve the structural mapping of this lead and is expected to elevate it to Prospect and drill ready status.

The Company believes NT/P68 has the potential to host commercial gas accumulations that may collectively support the future gas demands of its proposed GTL processing projects.

The proposed Timor Sea LNG Project is the only new Australian greenfield LNG project that has already received its Commonwealth environmental approvals.



C.R. Hart
Managing Director
3 August 2006