



## Annual General Meeting Address on 25 November 2010

Ladies and Gentlemen,

Since I wrote to our shareholders in the 2010 Annual Report, our Company has made a significant step in potentially extending its activities.

In particular, following a meeting of our Executive Directors and consultants with Ministers and officials on Sakhalin island of the Russian Federation, the Government of Sakhalin Region signed a Co-operation Agreement with our Company.

Sakhalin is known to have very large offshore reserves of oil and gas which are being exploited for export by the major international petroleum corporations, such as Gazprom, Rosneft, Shell and Mitsubishi, but there is no oil refinery on the island. The Co-operation Agreement provides an endorsement for our Company to promote the construction of the first oil refinery on Sakhalin.

We are planning a small refinery upgradeable to a much larger unit over time to first service local consumption of petroleum products and then to export any production which are in excess of demand of the local market. Sakhalin is north of Japan and close to energy hungry China which will be the target market for the products.

We have estimated the initial capital cost of the refinery to be between US\$130 and US\$200 million and are seeking investors for direct project funding. We are already in discussions with petroleum corporations in China who have shown interest to invest in the project and to secure off-take agreements for the products. However, there is still substantial work to be done before we sign up an investor in the project.

We have put forward a resolution for you to vote at this meeting to allow us to embark on that new activity. So far the proxy votes received have strongly supported the resolution.

Our investment in Premium Exploration Inc is proving to be very successful. Premium has continued to report very good results in their current Phase-3 drilling program. All the holes drilled to date has returned gold mineralisation, ie. 100% success rate. Premium believes that a new gold district is in the making in Idaho, USA, based on the work they have done so far.

Unfortunately, our exploration activities in New South Wales, Australia have been hampered by heavy rain flooding access roads to our licence areas. We have prepared an initial drilling program of 12 holes (3 diamond and 9 RC percussions) at Koonenberry with the drilling team on standby to mobilise as soon as access to the target sites is possible.

We expect to be able to start drilling in the next fortnight and to complete the campaign in January 2011.

Thank you for your attendance.

King M Fan  
Chairman

