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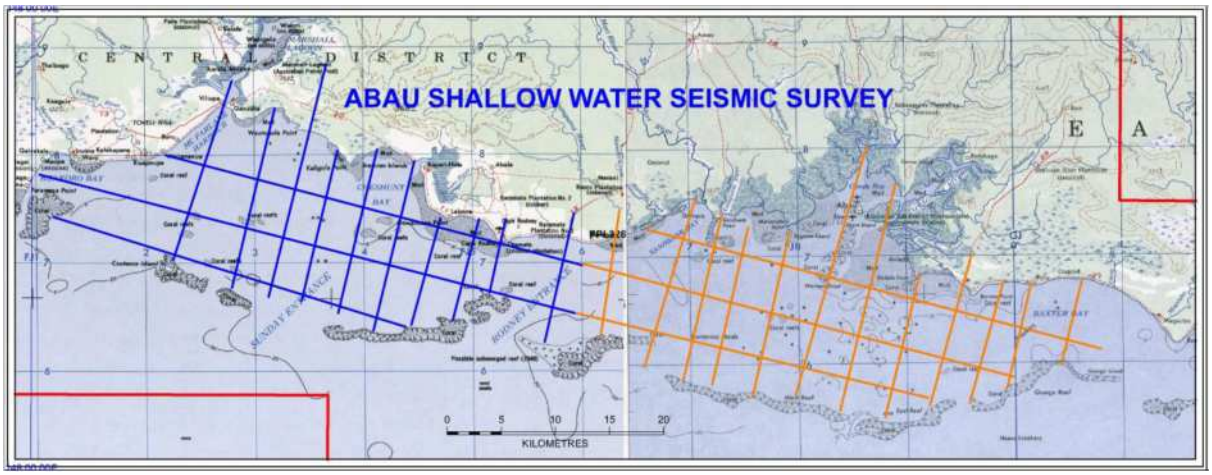
SHAREHOLDER UPDATE

9 January 2012

ABAU SHALLOW WATER SEISMIC SURVEY

As flagged in the Shareholder Update dated 14 November 2011, the Company has now entered into a contract with Geokinetics (Australasia) Pty Ltd to conduct a 2D seismic survey ("Abau Shallow Water Seismic Survey") in the Company's PPL 326 tenement in PNG in the waters adjacent to Kupiano in the Central Province of PNG.

The survey is scheduled to commence in the middle of January 2012, with an initial program designed to acquire approximately 250-300km of seismic data. The Company has an option to increase that to about 530km of seismic data depending on the progress of the program. Below is a map showing the indicative areas which the survey will be conducted (the blue lines are the initial program, the orange lines are the optional program), the actual lines will be determined subject to the specific circumstances of the area.



This survey will provide an important link between the information the Company has already obtained from the Baramata 2D seismic survey (the Company conducted that survey in August 2011) and the proposed onshore 2D seismic survey. Given its location to the north of the Sunday Prospect, it is anticipated to provide further information in relation to the Sunday Prospect and the next line of leads/prospects.

Given the nature of the conditions (shallow water and transitioning to onshore), Geokinetics have been engaged to use their ocean bottom cable ("OBC") method. Geokinetics' shallow water OBC capabilities extend from the shoreline to 150 meter water depths (although we will not go deeper than 50 meters). Geokinetics is an industry leader in OBC data acquisition; in the last three years, they have acquired more than 8,000 km^2 of OBC data, including the recent survey over Scott Reef for Woodside.

Geokinetics use purpose-built, aluminium hulled work boats (DIBs), with inflatable pontoons, for the

deployment and retrieval of the cables laid for recording. The twin pontoon rigid hulled boats provide a robust, stable platform to conduct operations even in poor sea conditions. Additionally, they require minimal draft to operate and can run aground when required. These features are essential for successful work in shallow areas.

The DIBs work with a larger recording vessel and a source vessel, such as the Nieuw Holland (see below) and they all operate out of a mother ship in a self contained manner.

The Company is establishing an operations centre at Kupiano and our Exploration Manager, Dr Michael Swift, will again be providing a very hands on management of the project to ensure shareholders get the best value we can out of the spend on the survey.

Further reports will be provided on completion of the survey.

For any enquiries please contact:

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