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LGS FOLSE #1 DISCOVERY WELL

Folse #1 LGS Prospect, Iberville Parish, Louisiana, Operator 42.5% WI, Second Louisiana Gas Discovery

The Folse #1 well on the LGS structure was spudded on 18 October 2007 (Texas, USA). This well reached its planned total depth of 10,850ft on 4 November 2007.

The Board advises the discovery of a potential 10 feet of net gas pay in the well. Plans are now under way to complete and tie this zone into production.

Electric logs indicated several potential oil zones. Subsequent sidewall core samples indicate that the oil zones are most likely depleted, however, the Company will be reviewing these zones at a later date.

Completion and tie-in of the gas zone to the existing pipeline system is expected to be completed within the next 3 weeks.

The Company has farmed down from 50% to a 42.5% working interest in the well. Following project payback, which includes all well and project entry costs, the vendors of the project have a 20% back-in right, which effectively will deliver a 34% working interest.

On behalf of the Board of Directors

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This report has been reviewed and signed off by Mr Sam Russotti, CEO, (BSc Geology) and Mr. Jeff Copley, Technical Director (BSc Geology & MSc. Geophysics), both with over 30 years experience in the oil and gas sector.

Forward Looking Statements

This announcement contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.