# AMITY OIL LIMITED

A.C.N. 009 230 835

Our Ref: 20030630ASXSSHARECOVLTR5096DR:AO126:WR

30 June 2003

Manager
Companies Announcements Office
Australian Stock Exchange Ltd
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Dear Madam,

**Letter to Shareholders**

Attached is a copy of a letter which is being mailed to Amity Oil Limited's shareholders today.

Yours faithfully,
AMITY OIL LIMITED

DAVID RICH
Company Secretary

**Amity Oil Limited**
Level 2, 18 Richardson Street West Perth WA 6005
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# AMITY OIL LIMITED

A.C.N. 009 230 835

Our Ref: 20030630SHAREHOLDERS

30 June 2003

Dear Shareholder,

On behalf of the Board of Amity I would like to thank all shareholders for their support and interest in our Company over the last financial year.

Your Company has successfully tackled many challenges 'head on' over the last 6 months, and delivered significant outcomes to shareholders during a period when our perceived exposure to the fallout from the Iraq war and a change of government in Turkey was concerning the market.

We are very proud of the sharp improvement in the Company's fortunes, and in particular, the recognition the equities market now applies to our unique positioning in Turkey.

Our commercial successes over the last 6 months in Turkey have elevated Amity to a more prominent status in the international oil and gas scene, and in this correspondence we aim to recap to shareholders the key achievements to date, and endeavour to direct due credit to those who helped us achieve those results.

At last year's Annual General Meeting, the Company outlined an ambitious exploration and development programme which surprised many shareholders. It was a programme that would clearly put great demands on the senior executives of the Company.

Most components of that plan are now falling nicely into place, primarily due to the enduring commitment, effort and professionalism of Amity's founder, Mr. Peter Allchurch, and the outstanding management of our Turkish operations by Mr. Fatih Alpay.

The Board also appreciates that all Amity employees have contributed, in different ways, to the success of the Company, and shareholders are now benefiting from the high degree of technical expertise that exists within our Company.

The last 6 months

The beginning of the 2003 exploration programme began with the appraisal/development drilling of Gocerler-4 & 5, both of which confirmed the commercial significance of the Gocerler field, our first Turkish discovery. These results also confirmed the excellent correlation that exists between the 3D seismic amplitude anomalies and the structural closure of the field.


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During the period, gas production from Gocerler has also increased with the upgrading of the plant, access to additional pipelines and the connection of new customers. Many new industrial customers have been identified for further gas sales. Amity has also invested in a new gas reticulation pipeline network around the Velimese industrial zone which enables the delivery of additional gas sales to local factories in the coming months.

Amity has recently purchased additional plant and equipment for the Gocerler production facilities which should be installed and operational shortly, increasing the overall plant capacity to 30 million cubic feet per day (mmcfd).

On May 7th, the Company's fortunes improved dramatically with the discovery of commercial gas in the 50% owned Cayirdere Project, located some 33 kilometres southeast of the Gocerler discovery. Our 50% partner, and operator on this permit, TPAO (Turkiye Petrolleri AO) is currently assessing and discussing with Amity early development options for the discovery.

The Amity exploration team then moved focus on May 15th towards the highly regarded Adatepe target which has featured prominently since processing of the 3D seismic survey was completed early this year.

This well proved to be very exciting, with the identification of gas at both the Danismen and Osmancik levels. Log interpretation and testing at Adatepe-1 confirmed a commercial discovery at the Danismen level, and post drilling analysis of the well indicates that under-balanced and/or fraccing of the lower Osmancik zones may also deliver an additional commercial outcome in the future. Early development proposals are currently being discussed with our JV partners to construct a pipeline to customers in Cerkezkoy, as well as the building of a short connection line to link up with our Gocerler production facilities nearby. Two appraisal/development wells are expected to be drilled by the joint venture in the near future.

In the past 6 months, Amity has secured further exploration licences in the Thrace Basin, and more detailed analysis of these will begin shortly.

The extensive 3D and 2D seismic programmes in the Thrace Basin and other basins have identified a raft of new exploration plays and opportunities for our Company over the coming years.

Amity is presently drilling the Yesiltepe target in the Iskenderun Basin, with a dedicated drilling rig, then moving 95 kilometres to the west to the Adana Basin to drill Yuksekkoy-1, before moving north to the Thrace Basin to drill on our 100% owned exploration licence 3599.

Amity has maintained large equities in these three wildcats to maximize the upside potential to shareholders.

As outlined last year, Amity made an important strategic decision to relocate its Australian based drilling rig to Turkey. The rig was upgraded and modified to meet the specific needs of Amity's drilling programme in Turkey. The rig was then sold to a local operator on commercial terms satisfactory to both parties.

The sale of the drilling rig is consistent with Amity's corporate philosophy of maintaining modest corporate overheads and out-sourcing/sub-contracting staffing requirements where possible, whilst maintaining access to equipment and highly skilled personnel that will enable us to fully control our own destiny.

Away from Turkey but closer to home, Amity was delighted to be able to announce that Korea National Oil Corporation and Seoul City Gas Co., Ltd have joined Amity in the next phase of exploration at our Whicher Range project, located onshore some 20 kilometres south of


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Busselton, Western Australia. Amity has now received Government and Joint Venture approvals to proceed with the Whicher Range-5 well, and Amity is currently negotiating the timing of the well with the drilling contractor and other operators in the Perth Basin.

Future strategy

The Board believes the best way to truly create significant further shareholder value is to maintain a disciplined focus on the opportunities surrounding Turkey, so as to leverage on the existing infrastructure, contacts and credibility that Amity has been able to establish in the region.

Future profits and dividends

Amity is now in the very fortunate position of having strong recurring monthly revenues from gas sales, which are being directed towards the extensive exploration programme and building of infrastructures, as foreshadowed above. The company has no debt, and with our current cash holdings of around $12 million, together with recurring revenues, we budget to be able complete these programmes, without the need to raise further funds in the foreseeable future.

Your Board is very conscious of the September 2004 options exercisable at $1.00, and given demands on current cash holdings and cash flow, we are likely to defer the decision on any dividend policy until we are able to more accurately assess the likelihood of those option funds being received by the Company.

Appointment of new Amity CEO

The Board is delighted to have been able to recruit Mr. Howard McLaughlin as its new CEO. Howard has extensive experience in the oil and gas business, having worked with BHPBilliton Petroleum for the past 20 years, most recently as Vice President of Global Exploration. Howard's skill base and personality will compliment and enhance the existing highly competent and successful team we have.

New Corporate Governance recommendations

Many shareholders will be aware of the introduction of the ASX Principles of Good Corporate Governance and Best Practice Recommendations. Your Board has always been conscious of its duties and obligations to shareholders and other stakeholders and will continue to act in shareholders best interests. The Board is currently working towards introducing new policies and procedures to ensure that each principle of the new recommendations is suitably addressed, and reflects the wishes of shareholders.

Yours sincerely,
AMITY OIL LIMITED

ANTHONY BARTON
Chairman



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