

# **MARION ENERGY LIMITED**

**ACN 000 031 292**

## **PROSPECTUS**

This Prospectus is issued in order to allow secondary trading to take place in certain issued Shares and Options that were issued without disclosure to investors under Part 6D.2 of the Corporations Act, and certain new issues of Shares and Options or securities convertible into Shares and Options. A prospectus is required under the Corporations Act to enable persons who were, or will be, issued securities to on-sell those securities within 12 months of their issue.

The Company did not issue these securities with the purpose of the persons to whom they were issued selling or transferring their securities, or granting, issuing or transferring interests in those securities within 12 months of their issue but this prospectus provides them the ability to do so should they so wish.

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

If you do not understand its contents, you should consult your stockbroker, accountant or other professional adviser without delay.

## CONTENTS

<b>SECTION 1.</b>	<b>PROSPECTUS OVERVIEW.....</b>	<b>4</b>
<b>SECTION 2.</b>	<b>EFFECT OF THE OFFER .....</b>	<b>7</b>
<b>SECTION 3.</b>	<b>KEY RISKS .....</b>	<b>11</b>
<b>SECTION 4.</b>	<b>ADDITIONAL INFORMATION.....</b>	<b>19</b>
<b>SECTION 5.</b>	<b>DEFINED TERMS .....</b>	<b>27</b>

## IMPORTANT NOTICE

### Purpose of Prospectus

This Prospectus is dated 17 July 2014 and a copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX nor their respective officers take any responsibility as to the contents of this Prospectus.

The Company has not investigated the regulatory requirements that may prevail in any country in which the Company's Shareholders may reside outside of Australia. Use of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe those restrictions. Any failure to comply with restrictions might constitute a violation of applicable securities laws.

This Prospectus is issued by the Company. No person is authorised to give any information or to make any representation in connection with the Offer in this Prospectus that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company.

The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares and Options which are the subject of this Prospectus nor does it take into account the particular investment objectives, financial situation and particular needs of investors. The risks that impact on the Company should be carefully considered and some of these are set out in section 2 of this Prospectus.

### Electronic Prospectus

This Prospectus is available in a paper version and in electronic form. The electronic version will be available on the Company's website, <http://www.marionenergy.com.au>, from the date of this Prospectus. Persons who access the electronic form of this Prospectus must ensure that they download and read the entire Prospectus.

### No financial advice

The information given in this Prospectus does not constitute financial product advice. This Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation, tax position or particular investment needs. If you have any questions about any of the matters contained in this Prospectus, you should contact your legal adviser, stockbroker, accountant or other relevant adviser.

### Disclaimers

The Company is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

Announcements made by the Company to ASX are available from the ASX website at [www.asx.com.au](http://www.asx.com.au).

**Company's website**

Any references to documents included on the Company's website are provided for convenience only and none of the documents or other information on the website is incorporated by reference as content of this Prospectus.

**Privacy**

The privacy obligations and policy relating to this Prospectus are contained in the privacy disclosure statement in section 1.4.

**Defined terms and abbreviations**

Defined terms and abbreviations used in this Prospectus are explained in defined terms in section 5 of this Prospectus.

## SECTION 1. PROSPECTUS OVERVIEW

### 1.1 Purpose of the Prospectus

#### (a) Issues of securities previously made or approved (Approved Issues)

The Company's securities were suspended from trading on ASX on 3 October, 2011 due to the non lodgement of its financial report for the year ended June 30, 2011. The Company's securities have remained suspended since that date.

During the period since 3 October 2011, the Company has issued, agreed to issue and/ or received approval to issue a number of Shares and Options, on the terms set out in the Notice of Meeting and Explanatory Memorandum sent to members on 20 May 2014 (**Notice**). At a general meeting held on 19 June 2014 (**General Meeting**), each of the resolutions set out in the Notice of Meeting was approved by members. Among the resolutions approved at the General Meeting was a consolidation of Shares under which every 10 Shares on issue were consolidated into 1 Share (**Consolidation**), with the terms and exercise price of Options modified accordingly. The Consolidation was completed on 30 June 2014.

The securities issued, or agreed to be issued, during the period since 3 October 2011 including the Approved Issues to be made are as follows (on a post-Consolidation basis):

- (i) 9,697,369 Shares issued on 14 May 2012;
- (ii) 3,750,000 unlisted Options issued on 14 May 2012 with an exercise price of \$0.06 and an expiry date of 31 December 2014;
- (iii) 13,578,115 unlisted Options issued on 10 May 2013 with an exercise price of \$0.06 and an expiry date of two years from the date of the relisting of the Company's securities;
- (iv) 4,344,997 unlisted Options issued on 10 May 2013 with an exercise price of \$0.03 and an expiry date of two years from the date of the relisting of the Company's securities;
- (v) Issue of 22,105,541 unlisted Options, with an exercise price of \$0.03 and an expiry date of two years from the date of the relisting of the Company's securities;
- (vi) Issue of 27,000,000 Shares at a deemed issue price of \$0.06 per Share;
- (vii) Issue of 12,356,584 unlisted Options over Shares with an expiry date of 13 months from the date of issue (issued in consideration for the deferral of payment of Directors' fees);
- (viii) Issue of 5,073,483 unlisted Options with an exercise price of \$0.06 and an expiry date of two years from the date of the relisting of the Company's securities;
- (ix) Issue of up to a total of 20,533,334 Shares and 9,166,667 unlisted Options arising from the conversion of Existing Convertible Notes;
- (x) Issue of 19,478,769 listed Options with an exercise price of \$0.15 cents and an expiry date of 15 months from date of issue;

- (xi) Issue of 1,000,000 Shares and issue of 10,300,000 unlisted Options with an exercise price of \$0.06 and an expiry date of two years from the date of issue as Employee Shares and Options; and
- (xii) Issue of 7,307,222 Shares to raise funds to meet certain liabilities and for working capital.

Approval for the issues referred to in (iii) to (xi) above was sought and obtained at the General Meeting. The securities referred to in (i) and (ii) occurred more than one year prior to the date of the General Meeting, and the securities referred to in (xii) were not approved (as approval was not sought in respect of them). All issues of securities together are referred to as the Approved Issues (although no approval was obtained for (i) and (ii) or (xii)).

Full details of the issues of Shares and Options approved at the general meeting held on 19 June 2014 were set out in the Notice of Meeting and Explanatory Memorandum, a copy of which was given to ASX on 20 May 2014 and is available from the ASX website.

**(b) Issues of convertible note proposed to be made on or after 16 August 2014 (New Convertible Note)**

The Company proposes to issue convertible notes to certain sophisticated investors to raise a total of \$1,190,000, on or after 16 August 2014.

Each New Convertible Note will have the following terms:

- Face value of \$100.00
- Interest rate of 12% payable on 31 March and 30 September
- Convertible into Shares, at the election of the holder, using a conversion formula which divides the sum of the face value of New Convertible Notes and interest payable, by the issue price of \$0.06 to determine the number of Shares to be issued
- Carries the right, on conversion, for the holder to receive one option for every two Shares issued pursuant to a conversion of a New Convertible Note, at an exercise price of \$0.10
- Holder conversion period from 16 August 2014 until 15 March 2016 (on which date the Company may redeem the New Convertible Notes if they are not converted)
- The Company may convert the New Convertible Notes during the 5 Business Days commencing when Shares resume trading on ASX

Other than securities for which approval has previously been obtained by the Company from its members, the Company is currently not able to issue securities, except under an exception to Listing Rule 7.1, until 16 August 2014 due to an inadvertent contravention of the Listing Rules in March 2014. From 16 August 2014, the Company will be able to use its placement capacity under Listing Rule 7.1.

The exact number of securities into which New Convertible Notes may be converted will depend on when conversion occurs. If all New Convertible Notes are converted on 15 March 2016, and all interest has been paid to date (as accrued at that date), the maximum number of Shares and Options that may be issued on conversion is 21,209,172 Shares and 10,604,588 Options.

## **1.2 Residents outside Australia**

This Prospectus and any accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of securities in any place or jurisdiction in which, or to

any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the securities. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### **1.3 Taxation implications**

Investors should obtain advice from their tax adviser in relation to the taxation consequences of applying or subscribing for securities. The Company, its officers, advisers, contractors and agents do not accept any responsibility for any taxation consequences for investors from applying or subscribing for securities.

### **1.4 Privacy**

The Company collects information about applicants for securities provided on an Entitlement and Acceptance Form for the purpose of processing the application and to administer the person's holding of securities in the Company.

By submitting an Entitlement and Acceptance Form, each applicant agrees that the Company may use the information provided by an applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

An applicant has the right to gain access to the information that the Company holds about that person subject to certain exemptions under the law. A fee may be charged for access. Requests for access to information must be made in writing to the Company's registered office.

### **1.5 CHESS**

The Company participates in the Clearing House Electronic Sub-register System (CHESS). ASX Settlement, a wholly-owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of securities.

If you are broker sponsored, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of securities issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms applicable to the securities.

If you are registered on the issuer sponsored sub-register, your statement will be dispatched by Computershare, and will contain the number of securities issued to you and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to securityholders at the end of any calendar month during which the balance of their

holding changes, Shareholders may request a statement at any other time, however a charge may apply for additional statements.

## **SECTION 2. EFFECT OF THE OFFER**

### **2.1 What will be the effect of the Approved Issues on the capital structure of the Company?**

The table below sets out the capital structure of the Company as at the date of this Prospectus. The securities set out in the table include the issues of securities referred to in (i), (ii) and (xii).

<b>Securities</b>	<b>Total (Post-consolidation)</b>
<b>Shares</b>	126,753,630
<b>Options</b>	21,673,112

The table below sets out the capital structure of the Company after the Approved Issues.

<b>Securities</b>	<b>Issued</b>	<b>To be issued</b>	<b>May be issued pursuant to Existing Convertible Notes</b>	<b>New Listed Options</b>	<b>Employee Shares and Options</b>	<b>Total</b>
<b>Shares</b>	126,753,630	27,000,000	20,533,334		1,000,000	175,286,963
<b>Options</b>	21,673,112	40,813,384	9,166,667	19,478,769	10,300,000	101,431,930

The Approved Issues enable the Company to preserve its capacity to issue securities under Listing Rule 7.1, and convert certain debts of the Company to equity.

The value of the debts to be converted to equity, comprising amounts owed to Directors, and the conversion of the Existing Convertible Notes, is approximately \$2,852,448.

### **2.2 What will be the effect of the New Convertible Notes on the capital structure of the Company?**

The New Convertible Notes may be converted into the following number of securities:

<b>Securities</b>	<b>To be issued if New Convertible Notes fully converted</b>	<b>Total after conversion of New Convertible Notes</b>
-------------------	--	--

<b>Shares</b>	21,209,172	196,496,135
<b>Options</b>	10,604,588	112,036,518

The issue of the New Convertible Notes would raise \$1,190,000 for the Company to be used for working capital and on maturity may be converted into the number of securities set out above.

## **2.3 Business of the Company**

### **(a) What does the Company do?**

The Company is an ASX-listed oil and gas exploration and production company. The Company's principal activities in the course of the last financial year were the development of its existing oil and gas properties located in Utah, USA.

### **(b) Who are the Directors?**

#### **Mr Jeff Clarke – Executive Director**

Mr Clarke, born and educated in the United Kingdom, has over 35 years experience worldwide in Oil and Gas Exploration and Production, the majority of which has been in the United States and Canada. Mr Clarke graduated from the University of Wales in 1966 with an Honours Degree in Physics. He is a U.S. citizen.

Mr Clarke has held the position of Chief Executive of several exploration companies and was for ten years Chief Executive of a NASDAQ listed company.

#### **Mr Karel Louman – Executive Director & CFO**

Mr Louman was born and educated in the Netherlands and has a Masters Degree in Business Administration from Nyenrode University. He had 15 years of experience as an oil and gas banker prior to joining Marion.

In 1992 he moved to the US to open an office in Dallas, Texas for MeesPierson, a Dutch merchant bank which at the time was a wholly owned subsidiary of ABN Amro with the North American Exploration and Production industry as its main focus. Mr Louman has gained international experience in the debt and capital markets as well as in the financial and strategic advisory area.

#### **Mr Nicholas Stretch – Non Executive Director**

Mr Stretch has many years experience as legal practitioner and director. For the 2007-2008 years Nick was elected chairman of ASX listed coal seam gas explorer, Blue Energy Ltd. During this time he oversaw the implementation of a number of corporate governance and investor relations processes for that company.

Mr Stretch has Bachelors of Law and Commerce from Melbourne University. He is a member of the Law Institute of Victoria and is a director of Nick Stretch Legal Pty Ltd where he provides corporate and commercial law services. Prior to this, in his career as a solicitor in private practice, he held a number of senior management positions in a major Australian law firm including that of Victorian and National Chairman.

#### **Mr Stephen Watts – Non Executive Director & Independent Chairman**

Mr Watts has considerable finance and general corporate experience in the resources and broader corporate sectors and has 25 years business experience advising businesses of all sizes on finance, taxation and general business matters with a highly regarded reputation for specialist advice in mining, mining services and the oil and gas sectors across a number of Australian states



Mr Watts is a non executive director of Altima Resources, a Canadian based publicly listed company which is involved in oil and gas exploration and production and is a director of a number of large private companies. Mr Watts is also a direct participant in a number of Canadian oil and gas wells.

Mr Watts is a Chartered Accountant and a partner in Adelaide Chartered Accounting firm, Tilbrook Rasheed Pty Ltd. He graduated from Adelaide University in 1987 with a Bachelor of Economics degree and is a member of the Institute of Chartered Accountants in Australia and Fellow of the Taxation Institute of Australia.

### **(c)Who are the Key Managers?**

The Company does not currently have a chief executive officer. Mr Karel Louman and Mr Jeff Clarke are executive Directors. Information regarding Mr Louman and Mr Clarke is set out above.

Set out in section 4.4 is a summary of the interests and benefits payable to the Directors and other persons connected with the Company and any significant related party transactions.

## **2.4 Financial Information**

The Company's half year financial report for the half year ended 31 December 2013 was lodged with ASX on 7 April 2014. Investors should review that financial report together with other announcements made by the Company to ASX as set out in section 4.

Based on management accounts (which are neither reviewed nor audited) for the period ended 31 March 2014, the following changes to the Company's consolidated financial position have occurred since the date of the 31 December 2013 financial report:

- current assets are \$2,068,645, of which \$1,844,991 is held in cash;
- trade and other liabilities are \$4,943,225;
- borrowings are \$32,049,587, including interest accrued to principal. Due to a number of technical covenant breaches, the loan facility with TCS II Funding Solutions, LLC is classified as a current liability; and
- provisions are \$180,000.

The Company is in negotiations with TCS II Funding Solutions, LLC regarding the loan facility. As announced on 15 July 2014, that loan facility is currently the subject of a Forbearance Agreement which provides for a standstill in relation to the loan facility until 30 August 2014. The Company has also mandated 333 Capital to advise it on potential refinancing options, as previously announced to ASX.

Except as disclosed in this Prospectus, the Directors do not consider that there have been any material changes to the Company's financial position since 31 March 2014.

Certain liabilities relating to remuneration of Directors and managers will be discharged when securities are issued to the relevant personnel, as set out in section 3 of the Explanatory Memorandum to the Notice.

A liability relating to Existing Convertible Notes issued on 31 July 2013 will be discharged to the extent that holders of Existing Convertible Notes elect to convert their notes and receive securities in the Company.

The Company is proposing to raise a further \$1,190,000 for working capital through the issue of the New Convertible Notes.

The Company is preparing its full year financial report for the year ended 30 June 2014 and will lodge that report with ASX within the required period.

## **2.5 Entitlement and Acceptance Form**

A personalised Entitlement and Acceptance Form is included with this Prospectus, and sets out the Shares and Options which you are entitled to have issued to you.

If you wish to be issued the Shares and Options set out in the Entitlement and Acceptance Form you do not need to take any further action, unless you are applying for New Convertible Notes. Applicants for New Convertible Notes should follow the applicable instructions on the Entitlement and Acceptance Form. A Holding Statement will be sent to you following the issue of securities to you.

If your personal details or other information set out in the Entitlement and Acceptance Form is incorrect or you have any questions about your entitlement, please contact Computershare as set out in section 2.6 below.

## **2.6 Enquiries**

If you have any questions regarding the Offer, the content of this Prospectus or the Entitlement and Acceptance Form, please contact the Company on +613 9620 2223. Alternatively, you should contact your stockbroker, accountant or independent professional financial adviser.

## **SECTION 3. KEY RISKS**

The securities which are the subject of this Prospectus are considered speculative because of the inherent risks associated with an oil and gas company. In addition, there are risks inherent in investing in the share market in general.

The Directors have considered and identified in this section of the Prospectus the key areas of risk associated with investing in the Company's securities. The risks identified by the Directors are not exhaustive and potential investors should read this Prospectus in full and seek professional advice if they require further information on material risks.

Neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of its securities, including those covered by this Prospectus, will be achieved.

### **RISK FACTORS**

#### **3.1 Introduction**

The securities which are the subject of this prospectus are considered speculative, and involve investors being exposed to risk. Directors strongly recommend potential Applicants to consider the contents of this Prospectus, to consider that the investment in the Company is speculative and therefore that they should consult their professional advisers for advice before investing in the Company.

There are specific risks that relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

#### **3.2 Risks Specific to the Company and its operations**

##### **(a) Exploration risks**

Gas and oil exploration by its nature contains elements of significant risk. Successful commercial operations are therefore dependent upon the discovery of economically recoverable hydrocarbons, obtaining consents and approvals necessary for the conduct of exploration and drilling access to competent operational management and native title risk. Adverse weather conditions over a prolonged period can also adversely affect exploration activities. There can be no assurance that exploration activities will result in the discovery of an economic oil and gas deposit or that any discovery can be economically exploited.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual results may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that these cost estimates and the underlying assumptions will be realized in practice, which may materially and adversely affect the Company's viability.

Oil and gas exploration involves significant risk only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high costs of discovery and development of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk.

Environmental issues, labour disruption, project financing, foreign currency fluctuations and technical problems all affect the ability of a company to profit from a discovery.

There is no assurance that exploration and development of the projects currently held by the Company or any other projects that may be acquired in the future will result in the discovery of an economic oil and gas deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited. Furthermore, the Company will only proceed to the next stage of exploration or development when data supports the existence of an economically viable oil and gas deposit. Should the empirical data not support the existence of an economically viable deposit, the Company will not proceed to the next stage of exploration and development.

**(b) Drilling, operational and technical risk**

A range of factors may affect the current and future operation of the Company, including exploration, appraisal and possible production activities, including:

- (i) geological conditions including inappropriately placed or timed petroleum generation or migration, ineffective seal or later disruption of the trap. A potential trap may also contain non-commercial volumes of petroleum due to adverse reservoir conditions or inadequate petroleum charge;
- (ii) limitations in activities due to seasonal weather patterns;
- (iii) unanticipated operational and technical difficulties encountered in seismic survey, drilling and production activities;
- (iv) mechanical failure of operation plant and equipment;
- (v) adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- (vi) unavailability of drilling equipment;
- (vii) unexpected shortages or increases in the cost of consumables, spare parts, plant and equipment;
- (viii) prevention of access by reason of inability to obtain consents or approvals;
- (ix) contracting risk from third parties providing essential services; and
- (x) potential problems in locating and securing the services in a timely and cost effective fashion of appropriately skilled employees, consultants or contractors.

Industry operating risks include the risk of fire, explosions, blow outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gasses, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations. Damages occurring as a result of such risks may give rise to claims against the Company.

Although the Company believes that it or the operator will carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Company or the operator insurance may not cover or be adequate to cover the

consequences of such events. In addition, the Company may be subject to liability for pollution, blow outs of other hazards against which the Company or the operator does not insure or against which it may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company. Moreover, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates that it considers reasonable.

**(c) Ability to exploit successful discoveries**

It may not always be possible for the Company to participate in the exploitation of any successful discoveries which may be made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licenses or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. As described above, such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

**(d) Funding**

The Company will be dependent on obtaining future equity capital or debt funding sufficient to continue its exploration and contemplated development, production and sales and to provide sufficient future working capital. The Company's ability to raise such funding will vary according to a number of factors including:

- (i) the success or otherwise of exploration and the future development of any hydrocarbons discovered;
- (ii) level of proved reserves;
- (iii) ability to acquire, locate and produce new reserves;
- (b) stock market conditions;
- (c) oil and gas prices; and
- (d) access to pipeline or other facilities required to transport any produced hydrocarbons to point of sale.

**(e) Access to Infrastructure**

The Company will require access to natural gas and crude oil transmission facilities including pipelines in order to commercially exploit any hydrocarbons discovered. Third party access to such infrastructure may depend on the level of unconstructed capacity available from time to time. Access to processing plant is likely to depend on the successful negotiation of commercial arrangements with the owner of such plant.

**(f) Market Risk**

The marketability of any oil and gas discovered will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment and government regulations

relating to taxation, royalties, allowable production, importing and exporting of oil and gas and environmental protection.

**(g) Commodity Price Volatility and Exchange Rate Risks**

The price for gas and oil will depend on demand from available markets at acceptable prices and after transmission and distribution costs. Any substantial decline in the price of gas or an increase in transmission or distribution costs could have a material adverse effect on the Company. Commodity prices fluctuate and are affected by many factors beyond the control of the Company such as:

- supply and demand for gas both domestically and internationally
- weather conditions
- global economic and financial conditions
- domestic and global regulatory factors
- price and availability of alternate fuels

Furthermore international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australia currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

**(h) Environmental Risks**

The operations and proposed activities of the Company are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances that could subject the Company to extensive liability.

**(i) Insurance Risks**

Insurance coverage of all risks associated with oil and gas exploration and production is not always available and, where available, the cost can be high. The Company will have insurance in place considered appropriate for the Company's needs. The Company will not be insured against all possible losses, either because of the unavailability of cover or because the Directors believe the premiums are excessive relative to the benefits that would accrue. The Directors believe that the insurance they have in place is appropriate. The Directors will continue to review the insurance cover in place to ensure that it is adequate.

**(j) Competition Risk**

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or action of its competitors, which activities or actions may, positively or

negatively affect the operating and financial performance of the Company's projects and business. In addition, many of the Company's competitors are significantly larger than the Company and this may adversely affect our ability to compete particularly in relation to acquiring additional properties to sustain future development.

**(k) Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs as the case may be.

**(l) Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

**(m) Reserve estimates**

Reserve estimates are expression of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

Reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. Should the Company encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, reserve estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations. In addition, reserve estimates depend on many assumptions which may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of the Company's reserves.

**(n) Operational development schedule**

The Company may not be able to adhere to its operational development schedule due to a number of factors including:

- results of operations to date and review of the same leading to changes to the proposed development schedule;
- availability of sufficient capital; and
- economic and industry conditions at the time of proposed operational development.

**(o) Government and legal risk**

Changes in government, monetary policies, taxation and other laws and regulations can have a significant impact on the Company's assets, operation and ultimately the financial and operational performance of the Company and its securities.

**(p) Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

**(q) Market Conditions**

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return in an investment in the Company.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operation performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor's sentiment towards particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

**(r) Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

**(s) Taxation**

The acquisition and disposal of Shares and Options will have tax consequences which will differ according depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares and Options from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for and/or acquiring securities under this Prospectus.

**3.3 Risks Specific to oil and gas operations**

**(a) Title and Title Opinions**



The system for obtaining title to oil and gas leases in the USA is complex given that numerous parties may hold the undivided mineral rights to a particular tract of land. Securing the leases to those rights often requires lengthy negotiation with the various parties. In order to independently verify that the parties with whom the Company is dealing are the correct and sole holders of the mineral rights and to analyze the full rights and restrictions applying to the interest held by those parties requires that a company obtain detailed title opinions from appropriately qualified and experienced lawyers. This can be a lengthy and expensive process and the final opinions are often the subject of numerous qualifications. As a consequence there is a risk that there may be third parties that hold or claim to hold mineral rights in relation to the leases held by the Company, or rights to royalty interest, that have not been previously identified.

Some of the leases in which the Company has an interest may have a fixed term and be subject to applications for renewal. The renewal of the term of each permit or license is usually at the discretion of the relevant lessor. If a lease is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any oil or gas resources on that lease.

**(b) Regulation – General**

The oil and gas industries in the USA are extensively regulated. Extensive federal, state and local laws and regulations relating to the exploration for and development, production, gathering and marketing of oil and gas will affect the Company's operations. Some of the regulations set forth standards for discharge permits for drilling operations, drilling abandonment bonds or other financial responsibility requirements, reports concerning operations, the spacing of wells, unitization and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oils and gas wells below actual production capacity.

Numerous environmental laws, including but not limited to, those governing the management of waste, the protection of water and air quality, the discharge of materials into the environment, and the preservation of natural resources, impact and influence operations. If the Company fails to comply with environmental laws regarding the discharge of oil, gas, or other materials into the air, soil or water, it may be subject to liabilities to the government and third parties, including civil and criminal penalties. These regulations may require the Company to incur costs to remedy the discharge. Laws and regulations protecting the environment have become more stringent in recent years, and may, in some circumstances, result in liability for environmental damage regardless of negligence or fault. New laws or regulations, or modifications of or new interpretations of existing laws or regulations, may increase substantially the cost of compliance or adversely affect oil and gas operations and financial condition. From time to time, the Company may agree to indemnify sellers of producing properties against some liabilities for environmental claims associated with these properties. Material indemnity claims may also arise with respect to properties acquired by or from the Company.

The Company cannot predict how existing laws and regulations may be interpreted by enforcement agencies of court rulings, whether additional laws and regulations will be adopted, or the effect such changes may have on the Company's business or financial condition.

**(c) Regulation – Sale of oil and gas**

Most sales of oil and gas are not currently regulated and are generally made at market prices. The price received from the sale of these products is affected by local price differentials and the cost of transporting the products to market.

**(d) Regulation – Exploration and Production**

Oil and gas exploration, production and related operations in the USA are subject to extensive rules and regulations promulgated by federal, state and local agencies. Failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil and gas industry increases the cost of doing business and affects profitability. Because such rules and regulations are frequently amended or reinterpreted, the Company is unable to predict the future cost or impact of complying with such laws.

Permits are required for drilling operations, drilling bonds and the filing of reports concerning operations and other requirements relating to the exploration and production of oil and gas may be imposed. Statutes or regulations addressing conservation matters may also exist, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates for production from oil and gas wells and the regulation of spacing, plugging and abandonment of such wells. The statutes and regulations of certain states limit the rate at which oil and gas can be produced.

The Company is required to comply with various federal and state regulation regarding plugging and abandonment of oil and natural gas wells, which impose a substantial rehabilitation obligation on the Company, which may have a material adverse effect on the Company's financial performance.

**(e) Regulation – Environmental**

Various federal, state and local laws and regulations in the USA govern the discharge of materials into the environment, and/or otherwise relate to the protection of the environment, health and safety and may affect operations and costs. These laws and regulations sometimes require governmental authorization before conducting certain activities and may limit or prohibit other activities because of protected areas or species, create the possibility of substantial liabilities for pollution related to operations or properties and provide penalties for non-compliance. In particular, drilling and production operations, activities in connection with storage and transportation of crude oil and other liquid hydrocarbons and use of facilities for treating, processing or otherwise handling hydrocarbons and related exploration and production wastes are subject to stringent environmental regulation.

As with the industry in general, compliance with existing and anticipated regulations increases the overall cost of business. While these regulations affect capital expenditures and earnings, the Company believes that such regulations do not affect its competitive position in the industry because environmental regulatory programs similarly affect competitors. Environmental regulations have historically been subject to frequent change and, therefore, one cannot predict with certainty the future costs or other future impacts of environmental regulations on future operations. A discharge of hydrocarbons or hazardous substances into the environment could subject the Company to substantial expense, including the cost to comply with applicable regulations that require a response to the discharge, such as containment or cleanup, claims by neighboring landowners or other third parties for personal injury, property damage or their response costs and penalties assessed, or other claims sought, by regulatory agencies for response cost or for natural resource damages.

The following are examples of some environmental laws in the USA that potentially impact the Company and its operations.

(i) Federal and State Water Pollution Control Regulations

Federal, state and local water pollutions control regulations impose strict controls regarding the discharge of produced waters, other oil and gas wastes, any form of pollutant, and, in some instances, storm water runoff, into federal, state and local waters. These laws and regulations provide for civil, criminal and administrative penalties for any unauthorized discharges and impose substantial potential liability for the costs of removal, remediation or damages resulting from an unauthorized discharge.

The cost of compliance with these laws and regulations have not historically been material to the Company's operations but there can be no assurance that changes in federal, state or local water pollution control programs will not materially adversely affect it in the future.

(ii) Air Emissions

Federal and state programs require many industrial operations in the USA to incur capital expenditures in order to meet air emissions control standards developed by federal and state environmental agencies. No assurances can be given that changes in federal, state or local air pollution control programs will not materially affect it in the future.

(iii) Solid Waste

The Company generates non-hazardous solid wastes that are subject to the requirements of federal and state statutes. These statutes also govern the generation, management and disposal of hazardous wastes. At present, the Company is not required to comply with a substantial portion of the requirements under these laws because the operations generate minimal quantities of hazardous wastes. However, it is possible that additional wastes, which could include wastes currently generated during operations, could in the future be designated as hazardous wastes. Hazardous wastes are subject to more rigorous and costly disposal and management requirements than are non-hazardous wastes. Such changes in the regulations may result in additional capital expenditures or operating expenses.

## **SECTION 4. ADDITIONAL INFORMATION**

### **4.1 Additional available information – continuous disclosure obligations**

This Prospectus is issued by the Company in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities.

As a disclosing entity, the Company is subject to regular reporting and disclosure obligations. As a listed company, the Company is subject to the Listing Rules which require, subject to certain exceptions, immediate disclosure to the market of any information of which the Company is aware which a reasonable person might expect to have a material impact on the price or value of the Shares.

Section 713 of the Corporations Act enables a company to issue a special prospectus where the securities or options offered to acquire securities under that prospectus are continuously quoted securities within the meaning of the Corporations Act. This generally means that the relevant securities are in a class of securities that were quoted enhanced disclosure securities at all times during the 3 months before the date of the prospectus and that, during the 12 months before the date of the prospectus, the issuing company was not exempted from the

continuous disclosure regime and disclosing entity requirements provided for under the Corporations Act and the Listing Rules of ASX.

In summary, special prospectuses are required to contain information in relation to the effect of the offer of securities on the company, and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as a prospectus of an unlisted company or an initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with, and has not been exempted from, the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the date of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX. For the purposes of satisfying section 713(5) of the Corporations Act, a prospectus must also incorporate such information if such information:

- has been excluded from a continuous disclosure notice in accordance with the Listing Rules; and
- is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
  - the assets and liability, financial position and performance, profits and losses and prospects of the body; and
  - the rights and liabilities attaching to the securities being offered.

The prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the prospectus. The Company is not aware of any matters that need to be disclosed under this section of the Corporations Act that have not been previously disclosed or which have not been set out in this Prospectus. The Company has from time to time entered into and continues confidential discussions and/or negotiations with potential commercial partners. While the Company continues to seek potential commercial partners and to advance discussions or negotiations, there is no certainty that any arrangement(s) will be finalised on particular terms, at a specific time, or at all. The Company will make further announcements in respect of any such discussions or negotiations in accordance with its disclosure obligations as developments occur.

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in respect of this Prospectus or the issue of securities under the Prospectus.

## **4.2 Company announcements**

Investors may view a record of the Company's ASX announcements at [www.asx.com.au](http://www.asx.com.au). ASIC also maintains records in respect of documents lodged with it by the Company, and these may be obtained from or inspected at the office of ASIC. This Prospectus is intended to be read in conjunction with information previously publicly disclosed by the Company.

The Company will provide free of charge to any person who requests it during the application period under this Prospectus:

- the Company's financial statements for the financial year ended 30 June 2013 lodged with ASX on 13 March 2014;
- the Company's half year financial report for the half year ended 31 December 2013 lodged with ASX on 7 April 2014;
- any continuous disclosure notices given by the Company since the lodgment of the Company's annual financial report referred to above and before the lodgment of this Prospectus.

The following announcements (continuous disclosure notices) have been made by the Company to ASX since lodging its annual report for the year ended 30 June 2013 with ASIC:

Date	Headline
15/07/2014	Agreement with Castlake, LP
07/07/2014	Change of Director's Interest Notice
30/06/2014	Despatch of letters to holders following consolidation
24/06/2014	Notice of Change to Options – Consolidation
19/06/2014	Extraordinary General Meeting Voting Results
19/06/2014	Marion Energy mandates 333 Capital
19/06/2014	EGM 190614 Presentation Slides
20/05/2014	General Update
19/05/2014	Notice of Extraordinary General Meeting on 19 June 2014
30/04/2014	Updated Production Operations
10/04/2014	Undertaking to ASX
07/04/2014	Half Year Accounts
25/03/2014	Operations Update
19/03/2014	Change in Substantial Holding
18/03/2014	Appendix 3B
18/03/2014	Placement
13/03/2014	Change to Executive Management of Company
13/03/2014	2013 Full Year Statutory Accounts
13/03/2014	2012 Half Year Statutory Accounts
13/03/2014	2012 Full Year Statutory Accounts
13/03/2014	2011 Half Year Statutory Accounts
13/03/2014	2011 Full Year Statutory Accounts

#### 4.3 Rights of Shareholders

The rights attaching to ownership of Shares are:

- described in the Constitution; and

- regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the key provisions in the Constitution and the principal rights of Shareholders as set out in the Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

(a) Meetings and notices

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, financial reports and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

(b) Voting

At meetings of Shareholders, every Shareholder present in person or by proxy, attorney or representative has one vote on a vote taken by a show of hands, and, on a poll has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid Share. A poll may be demanded by the chairperson of the meeting, by any five Shareholders present having the right to vote in person or by proxy, attorney or representative, or by any one or more Shareholders present who are together entitled to not less than 5% of the total voting rights of all Shareholders having the right to vote.

In the case of an equality of votes, the chairman of the meeting has a casting vote.

(c) Dividends

Dividends are payable out of the Company's profits and are declared or determined to be payable by the Directors.

(d) Transfer

A Shareholder may transfer all or any of its Shares by:

- a transfer of Shares pursuant to or connected with a transaction entered into or on the ASX (including a proper ASTC transfer as defined in the Corporations Act) in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating dealings in Shares, including a transfer that may be effected pursuant to the ASX Settlement Operating Rules or some other computerised or electronic transfer process;
- using any written transfer instrument in any usual or common form or form approved or adopted by the ASX or the Directors; and
- the Directors may decline to register any transfer where permitted to do so by the Listing Rules or ASX Settlement Operating Rules and must decline to register a transfer of Shares where required by the Listing Rules or ASX Settlement Operating Rules.

(e) Winding up

Shares classified as Restricted Securities (as defined in the Listing Rules) at the commencement of winding up rank in priority after all other Shares.

Subject to the rights of Shareholders (if any) entitled to Shares with special rights in a winding up, all monies and property that are to be distributed on a winding up will be distributed in proportion to the Shares held by them respectively, irrespective of the amount paid up or credited as paid up on the Shares.

(f) Variation of Rights

Subject to the Listing Rules, the rights attached to the Shares may be varied by special resolution of the Company and either with the consent in writing of Shareholders holding three-quarters of the Shares or by a special resolution passed at a separate meeting of the holders of the Shares in accordance with the Corporations Act.

The Directors may, subject to the restrictions on allotment of Shares imposed by the Constitution, the Corporations Act and the Listing Rules, from time to time issue and allot further Shares on such terms and conditions as they see fit.

(g) Alteration of Constitution

The Constitution can only be amended by a special resolution (that is, a resolution that has been passed by at least three-quarters of the votes cast by Shareholders entitled to vote on the resolution). While the Company is listed, at least 28 days written notice of the special resolution must be given.

#### 4.4 Are there any relevant interests, benefits and related party transactions?

**(a) Interests of Directors**

The following is a summary of the interests and benefits payable to the Directors and other persons connected with the Company or the Offer, and any significant related party transactions.

The Approved Issues will result in each of the Directors, other than Mr Nick Stretch, increasing their holding of Options and Shares, as described in section 1 and fully disclosed in the Notice.

Prior to the Approved Issues, the interests of Directors in securities of the Company was as follows:

Director	Shares	Options	Total Shareholding*
Jeffrey Clarke	1,345,382	Nil	0.91%
Peter Collery	1,019,882	Nil	0.69%
Karel Louman	972,616	Nil	0.66%
Stephen Watts	2,650,142	594,509	2.19%
Nick Stretch	Nil	Nil	Nil

\*On a fully diluted basis

Following the Approved Issues, the interests of Directors in securities of the Company will be as follows:

Director	Shares	Options	Total Shareholding*
Jeffrey Clarke	10,345,382	6,319,596	6.03%
Peter Collery	10,019,882	8,329,990	6.63%
Karel Louman	9,972,616	4,104,775	5.11%

<b>Stephen Watts</b>	4,330,142	1,770,600	2.21%
<b>Nick Stretch</b>	Nil	Nil	Nil

\*On a fully diluted basis

As described in the Notice in detail, and in summary in section 1 above, certain issues of securities to the Directors are being made to discharge liabilities of the Company to the Directors in respect of fees and remuneration.

The Directors have no direct or indirect interest in the New Convertible Notes.

#### **(b) Interests of Directors - Remuneration**

Directors are entitled to receive Directors' fees and other remuneration (which may include consulting fees) from the Company in relation to services provided to the Company.

The following table sets out the total amounts paid or payable (excluding GST) to current Directors as fees and executive service remuneration in the three year period prior to lodgement of this Prospectus:

<b>Director</b>	<b>Period</b>		
	<b>July 2011 – June 2012</b>	<b>July 2012 – June 2013</b>	<b>July 2013 – June 2014</b>
<b>Jeffrey Clarke</b>	\$408,482	\$408,482	\$418,883
<b>Peter Collery*</b>	\$476,177	\$413,498	\$337,500
<b>Karel Louman</b>	\$413,507	\$396,853	\$442,834
<b>Stephen Watts</b>	N/A	N/A	\$54,167
<b>Nick Stretch</b>	N/A	\$8,333	\$50,000

\*Peter Collery resigned as a Director effective from 28 February 2014.

Except as disclosed in this Prospectus, no person has paid or agreed to pay any amount to any Director or has given or agreed to give any benefit to any Director, to induce the Director to become, or to qualify as, a Director of the Company or otherwise for services rendered by the Director.

#### **(c) Interests of advisers**

Other than as set out below or elsewhere in this Prospectus, no person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus or as a promoter or stockbroker to the Company has, or during the last two years before the date of this Prospectus has had, any interest in securities dealt with under this Prospectus and no amounts, whether in cash or shares or otherwise, has been paid or agreed to be paid and no value or benefit has been given or agreed to be given to any of those persons for services rendered in connection with the formation or promotion of the Company.



#### **(d) Consents to be named and the inclusion of information**

Computershare has given and, as at the date hereof, not withdrawn, its written consent to be named as Share Registry in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

#### **4.5 Disclaimer of responsibility**

Each of the parties referred to in section 4.4:

- does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by any of those parties, other than as specified in this section; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

#### **4.6 Expenses of the Offer**

The estimated expenses of the Offers are as follows:

ASIC lodgement fee	\$2,290
Legal expenses	\$15,000
Printing and mailing	\$4,000

#### **4.7 Substantial holdings**

On completion of the issue of the Approved Issues and the New Convertible Notes assuming the New Convertible Notes are issued and converted:

##### **(a) Shares**

The top 10 holders of Shares will be as follows:

Name	Number Of Shares	% Holding Of Shares
KM Custodians Proprietary Limited	34,827,423	17.69%
Mr Jeffrey Clarke	10,345,382	5.25%
Mr Peter Thomas Collery	9,119,882	4.64%
Mr Karel Louman + Mrs Ting Hui Louman	9,871,100	5.03%
Mr Stephen Watts + Mrs Sarah Watts <S And S Watts	3,680,000	1.87%

Super Fund A/C>		
Indigo Blue Holdings Pty Ltd	2,986,891	1.52%
Nazdall Pty Ltd	2,813,019	1.43%
Odyssey Energy Limited	2,750,000	1.40%
Netheridge Pty Limited	1,967,182	1.00%
Park End Ltd	1,467,750	0.75%

**(b) Options**

The top 5 holders of Options will be as follows:

Name	Number of Options	% holding of Options
KM Custodians Proprietary Limited	39,523,029	38.97%
Nick Stretch Legal Pty Ltd	19,936,206	19.65%
Mr Peter Thomas Collery	7,496,991	7.39%
Mr Jeffrey Clarke	6,319,596	6.23%
Mr Karel Louman	2,930,555	2.89%

#### **4.8 Directors' statement**

The Directors' report that, in their opinion, after having made relevant inquiries:

- except as disclosed in this Prospectus, they are not aware of any circumstances that have materially affected or will materially affect the assets and liabilities, the financial position, the profits and losses, or the prospects of the Company; and
- they have reasonable grounds to, and do, believe that this Prospectus contains no statements that are false or misleading and that there are no material omissions from this Prospectus.

The Directors of the Company have authorised the lodgement of this Prospectus with ASIC.

## SECTION 5. DEFINED TERMS

<b>333 Capital</b>	a corporate advisory firm that the Company has mandated to advise on refinancing and transaction proposals as described in the Company's announcement to ASX dated 19 June 2014
<b>AEST</b>	Australian Eastern Standard Time
<b>Approved Issues</b>	has the meaning given in section 1.1(a) of this Prospectus
<b>ASIC</b>	the Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ABN 98 008 624 691
<b>ASX Listing Rules or Listing Rules</b>	the official listing rules of ASX (as amended from time to time)
<b>ASX Settlement</b>	ASX Settlement Pty Ltd ABN 49 008 504 532
<b>ASX Settlement Operating Rules</b>	the operating rules of ASX Settlement
<b>Board</b>	the board of Directors from time to time
<b>CHESS</b>	the Clearing House Electronic Sub-register System operated by ASX Settlement Pty Ltd
<b>Constitution</b>	the constitution of the Company from time to time
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth) (as amended from time to time)
<b>Directors</b>	the directors of Marion from time to time, and <b>Director</b> means any of them
<b>Employee Shares and Options</b>	the securities to which Resolution 27 set out in the NOM relates, as fully described in the NOM
<b>Entitlement and Acceptance Form</b>	the personalised entitlement and acceptance form which accompanies or is included with this Prospectus
<b>Existing Convertible Notes</b>	convertible notes with the key terms described in the NOM, and to which Resolutions 20 and 21 set out in the NOM relate, as fully described in the NOM

<b>Forebearance Agreement</b>	the agreement described in the Company's announcement to ASX dated 15 July 2014
<b>General Meeting</b>	the meeting of Shareholders of the Company held on 19 June 2014
<b>Holding Statement</b>	a statement given in respect of an uncertificated holding of securities in accordance with the ASX Listing Rules
<b>Marion or the Company</b>	Marion Energy Limited ACN 000 031 292
<b>New Convertible Notes</b>	convertible notes with the key terms described in section 1.1(b) of this Prospectus
<b>New Listed Options</b>	Options to which Resolutions 22 to 26 set out in the NOM relate, as fully described in the NOM
<b>Notice of Meeting or NOM</b>	has the meaning given in section 1.1(a) of this Prospectus
<b>Offer</b>	the offer of securities made under this Prospectus, comprising the offer of Approved Issues and the New Convertible Notes
<b>Options</b>	options to acquire Shares in the Company, whether by issue or transfer
<b>Optionholder</b>	the registered holder of an Option
<b>Share</b>	a fully paid ordinary share in the capital of Marion and <b>Shares</b> has a corresponding meaning
<b>Shareholder</b>	the register holder of a Share and <b>Shareholders</b> has a corresponding meaning
<b>Share Registry or Computershare</b>	Computershare Investor Services Pty Limited ABN 48 078 279 277

## **CORPORATE DIRECTORY**

### **Directors**

Mr Stephen Watts

Mr Nick Stretch

Mr Jeffrey Clarke

Mr Karel Louman

### **Company Secretary**

Mr Nick Stretch

### **Registered Office**

Suite 802, 500 Little Collins Street,  
Melbourne VIC 3000

### **ASX Code: MAE**

**Website:** [marionenergy.com.au](http://marionenergy.com.au)

### **Auditors**

Grant Thornton,  
Level 30, 525 Collins Street  
Melbourne VIC 3000

### **Share Registry**

Computershare Investor Services Pty  
Limited  
Yarra Falls, 452 Johnstone Street  
Abbotsford Vic 3067