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**GRAND GULF ENERGY LIMITED**

ACN 073 653 175

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**NOTICE OF GENERAL MEETING**

**The General Meeting of the Company will be held at 11.30am on Friday, 10 May 2019  
at 1A Alvan St, Subiaco, WA 6008 (WST)**

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*This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 6102 4826.*

# GRAND GULF ENERGY LIMITED

ACN 073 653 175

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## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of shareholders of Grand Gulf Energy Limited (**Company**) will be held at **11.30am on Friday, 10 May 2019 at 1A Alvan St, Subiaco, WA 6008 (AWST) (Meeting)**.

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum, Prospectus and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Wednesday, 8 May 2019 at 5.00 pm (AWST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 5.

## A G E N D A

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### Resolution 1 – Approval of Equal Reduction of Capital

To consider and, if thought fit, to pass, the following Resolution as an **ordinary resolution**:

*“That, for the purposes of section 256B and section 256C(1) of the Corporations Act, and for all other purposes, approval is given for the Company to reduce the share capital of the Company by the Company making a pro rata in specie distribution of up to 390,000,000 Whitebark Shares to Eligible Shareholders, on the terms and conditions set out in the Explanatory Memorandum”.*

Dated 8 April 2019

**BY ORDER OF THE BOARD**

**Mark Freeman**

Managing Director and Chief Executive Officer

**GRAND GULF ENERGY LIMITED**

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting of Grand Gulf Energy Limited. The Directors recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolution. Shareholders should read the full text of this Explanatory Memorandum and, if in any doubt, should consult with their professional advisers.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Terms and abbreviations used in this Explanatory Memorandum are defined in Schedule 5.

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## **1. OVERVIEW OF PLACEMENT AND IN SPECIE DISTRIBUTION**

### **1.1 Background to the In Specie Distribution**

Whitebark Energy Limited ACN 079 432 796 (**Whitebark**) is proposing to undertake a placement of 390,000,000 fully paid ordinary shares (**Whitebark Shares**) each at an issue price of 0.5 cents to raise total funds of \$1,950,000 before costs (**Placement**) subject to Whitebark shareholder approval. As announced on 22 March 2019, the Company has entered into an agreement with Whitebark to subscribe for all the Whitebark Shares issued under the Placement (**Subscription Agreement**).

Subject to Shareholder approval, the Company proposes to make an in specie distribution to Shareholders of Whitebark Shares received under the Placement on a pro rata basis at the ratio of 1 Whitebark Share for every two Shares held on the Record Date (**In Specie Distribution**).

Of the total 390,000,000 Whitebark Shares to be issued under the Placement (**Placement Shares**), the Company is currently proposing to distribute approximately 383,750,000 Whitebark Shares to Shareholders and the balance of the Placement Shares (comprising approximately 6,250,000 Whitebark Shares) will be retained by the Company.

### **1.2 Summary of the Subscription Agreement**

A summary of the key terms and conditions of the Subscription Agreement is as follows:

- (a) (**Subscription price**) The subscription price payable by the Company to Whitebark is \$1,950,000.
- (b) (**Issue price**) The issue price per Whitebark Share is 0.5 cents.
- (c) (**Terms of Whitebark Shares**) The Whitebark Shares issued under the Placement will be fully paid ordinary shares in the capital of Whitebark ranking equally in all respects with Whitebark's existing fully paid ordinary shares on issue.
- (d) (**Conditions precedent**) The subscription is conditional upon the following conditions being satisfied or waived:
  - (i) Whitebark obtaining shareholder approval under the Listing Rules and the Corporations Act (if needed) including pursuant to Listing Rule 10.11 for the issue of the Whitebark Shares under the Placement to related parties to the extent of their participation in the In Specie Distribution;
  - (ii) Shareholder approval of the In Specie Distribution. Resolution 1 seeks this approval.

- (e) **(Completion)** The subscription will be completed on the same day of the shareholder meetings convened for the purposes of satisfying the conditions precedent.
- (f) **(End date)** If the conditions precedent are not satisfied or waived on or before 21 May 2019 (or such later date agreed by the parties) then the Subscription Agreement will terminate.

The Subscription Agreement also contains standard commercial representations and warranties given by the Company and Whitebark.

A summary of the rights and liabilities attaching to the Whitebark Shares to be issued under the Subscription Agreement are set out in Schedule 2.

### 1.3 Shareholder Approval for the Equal Reduction of Capital

Pursuant to Resolution 1, the Company is seeking shareholder approval to make an equal reduction of capital by distributing up to 390,000,000 Whitebark Shares received by the Company under the Placement in specie directly to Eligible Shareholders. As set out in Section 1.1, the Company is currently proposing to distribute approximately 383,750,000 Whitebark Shares to Eligible Shareholders and the balance (comprising approximately 6,250,000 Whitebark Shares) will be retained by the Company.

### 1.4 The Company's projects

#### ***Production***

##### Desiree Field

Desiree, Assumption Parish, Louisiana, Non Operator 39.65%WI

As set out in the Company's latest Quarterly Report, the Hensarling # 1 well (Desiree Field) produced a total of 11,356 bbls of oil during the December quarter. The well is presently averaging 135 bopd. Desiree remains a substantial asset to the Company with significant long term reserves and cash flow.

##### Dugas & Leblanc Field

Napoleonville- Dugas & Leblanc #3 Well, Assumption Parish, Louisiana, Non Operator 55.5% WI

As set out in the Company's latest Quarterly Report, The D&L#3 well (Dugas & Leblanc Field) produced a total of 6,334 bbls of oil during the December quarter. The well is presently producing at 75 bo/d. The D&L #3 well continues to outperform previous reserve estimates.

#### ***Existing Other Projects***

DJ Basin - The Company has a 36.5% working interest in a Joint Venture with PetroStone Inc (Operator), holding an initial 355 net acres across 8 Drilling Spacing Units (DSUs) with up to 8 wells per DSU. The strategy is to utilise Colorado's development pooling process to create DSU's. The DSU's remain active for up to 3 years. The Company's final interest is expected to increase following working interest holder's participation elections per well AFE. Under the farm-in arrangement the minimum commitment is to participate in two wells with total exposure ~US\$240,000. Statistically well recoveries in the DJ Basin Niobrara and Codell vary from 500,000-1,200,000 BOE and 300,000-500,000 BOE respectively.

East Texas (50%) Eagle Ford - The Company owns a 50% interest in 1,117 net acres of 1,232 gross acres in Burleson County, Texas. The proposed units have the potential for up to 6 Eagle Ford and 1 Austin Chalk locations each with horizontal wells within the 5,000ft - 8,000ft range. Well costs (drilled, fraced and completed) are anticipated to be US\$4,500,000 each. The strategy is to attract a third party to partially fund and operate the drilling and fracing program with GGE farming down its working interest.

Refer to the Company's ASX announcement dated 15 October 2018 for further details in relation to the Company's existing reserves and resources.

## **1.5 Advantages and disadvantages of the In Specie Distribution**

The Directors are of the view that the following non-exhaustive list of advantages and disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

### ***Advantages***

- (a) Shareholders will retain their current shareholding in the Company and also receive a proportional freely tradable share in Whitebark. Based on the subscription price under the Placement of 0.5 cents per Whitebark Share, the value to be distributed to Shareholders is 0.25 cents per Share.
- (b) Following subscription of the Placement by the Company, the Company is expected to have sufficient cash on hand and an ongoing net revenue from the Louisiana assets to progress planned activities on its existing assets without the immediate need for additional capital.
- (c) Shareholders will gain exposure to Whitebark's portfolio of assets, which may be attractive to Shareholders.
- (d) It is expected that the funds raised under the Placement will enable Whitebark to progress drilling and development works planned on the Wizard Lake oil discovery in Canada.

### ***Disadvantages***

- (a) The Company's cash will be reduced by \$1,950,000, being the subscription funds under the Placement limiting potential participation in drilling activities for existing Company projects or potential new project acquisitions.
- (b) Shareholders will gain exposure to Whitebark's portfolio of assets, which may not be attractive to Shareholders.

## **1.6 Future of the Company following successful completion of the In Specie Distribution**

Following completion of the In Specie Distribution, the Board of the Company intends to commence returning value to Shareholders from the cash flows being generated by the Company's existing Louisiana production assets and at the same time look for a significant and meaningful project acquisition that will create future value in addition to possible participation in the Company's drilling activity in the DJ Basin.

## **1.7 Future of the Company if the In Specie Distribution does not proceed**

In the event Shareholders do not approve the In Specie Distribution, the Company will retain a significant interest in Whitebark with exposure to Whitebark's portfolio of assets. At the same time, the Board of the Company intends to continue returning value to Shareholders from the cashflows being generated by the Company's existing Louisiana production assets and the development of the DJ Basin project and at the same time look for a significant and meaningful project acquisition that will create future value.

## **1.8 Directors' Recommendation**

After considering all relevant factors, the Directors unanimously recommend the Shareholders vote in favour of Resolution 1 for the following reasons:

- (a) after a full and proper assessment of all available information they believe that the proposed In Specie Distribution is in the best interests of Shareholders and the Company; and
- (b) in the opinion of the Directors, the advantages of the In Specie Distribution outweigh its disadvantages as set out in Section 0.

Resolution 1 is an ordinary resolution.

## **2. Resolution 1 - Approval of Equal Reduction in Capital**

### **2.1 Background and overview of the equal capital reduction**

As set out in Section 1.1, the Company and Whitebark have entered into the Subscription Agreement pursuant to which the Company will subscribe for 390,000,000 Whitebark Shares, each at an issue price of 0.5 cents, pursuant to the Placement. Refer to Section 1.2 for a summary of the material terms and conditions of the Subscription Agreement.

On completion of the Placement, Whitebark will issue 390,000,000 Whitebark Shares to the Company. Subject to the passing of Resolution 1, the Company proposes to make a pro rata distribution of up to 390,000,000,000 Whitebark Shares to Eligible Shareholders pursuant to an equal reduction of capital. As set out in Section 1.1, the Company is currently proposing to distribute approximately 383,750,000 Whitebark Shares to Eligible Shareholders and the balance (comprising approximately 6,250,000 Whitebark Shares) will be retained by the Company.

Based on the number of Shares currently on issue (767,498,870), assuming no existing Options are exercised prior to the Record Date, the Company will have 767,498,870 Shares on issue as at the Record Date and each Shareholder will receive one (1) Whitebark Share for every two (2) Shares held on the Record Date (rounded down to the nearest whole Share).

Relevant general information in respect of the In Specie Distribution is set out in Section 1. In addition, the following specific information is provided.

### **2.2 Timetable**

The anticipated timetable for the capital reduction and In Specie Distribution is set out below. The timetable is set out in accordance with the timetable set out in Appendix 7A of the Listing Rules and is dependent on the timing of the Placement. The final timetable will be released to the ASX once it is known.

Prospectus and Notice of Meeting lodged with ASIC/ASX	9 April 2019
Despatch of Prospectus and Notice of Meeting to Shareholders to approve the capital reduction	9 April 2019
Whitebark Shareholder Meeting to approve the transaction	10 May 2019
General Meeting to approve the capital reduction and the Company notifies the ASX that the Shareholders have approved Resolution 1	10 May 2019
Completion of Placement	10 May 2019
"Cum-date" for the capital reduction – last day for trading of Shares with the entitlement to participate in the In Specie Distribution	13 May 2019
"Ex-date" for the capital reduction – the date on which Shares commence trading without the entitlement to participate in the In Specie Distribution	14 May 2019
Record Date for the capital reduction	15 May 2019
Completion of the In Specie Distribution of Whitebark Shares to Eligible Shareholders	22 May 2019
Date holding statements are sent to Eligible Shareholders for Whitebark Shares	22 May 2019

The timetable above (other than the date of the General Meeting) is indicative only and may be changed at the discretion of the Directors (subject to the Listing Rules) or as required by ASX.

### **2.3 Whitebark Shares listed**

All Whitebark Shares to be issued under the Placement and distributed to Eligible Shareholders will be listed on the ASX.

## 2.4 Requirements under section 256B and section 256C of the Corporations Act

The In Specie Distribution of Whitebark Shares to Eligible Shareholders by way of a capital reduction is an equal reduction of capital under the Corporations Act. Under section 256C of the Corporations Act, an equal reduction must be approved by an ordinary resolution passed at a general meeting of the Company.

Section 256B of the Corporations Act provides that the Company may only reduce its share capital if the reduction:

- (a) is fair and reasonable to the Shareholders as a whole;
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) is approved by Shareholders under section 256C of the Corporations Act.

For the reasons set out in this Explanatory Memorandum, the Directors are of the view that the proposed capital reduction is fair and reasonable to Shareholders and that the reduction of capital will not prejudice the Company's ability to pay its creditors.

## 2.5 The effect of the proposed equal reduction of capital on the Company

If the In Specie Distribution is approved, the share capital and net assets of the Company will be reduced by the value of Whitebark Shares distributed to Shareholders.

As at the date of the Notice, the value of the Whitebark Shares to be issued under the Placement and to be distributed to Shareholder under the In Specie Distribution is calculated as follows:

<i>Number of Whitebark Shares to be issued under the Placement</i>	<i>Total value of Whitebark Shares to be issued under the Placement<sup>(1)</sup></i>	<i>Value of Whitebark Share to be issued under the Placement per Share<sup>(2)</sup></i>
390,000,000	\$1,950,000	0.25 cents
<i>Number of Whitebark Shares to be distributed to Eligible Shareholders under the In Specie Distribution</i>	<i>Total value of Whitebark Shares to be distributed to Eligible Shareholders under the In Specie Distribution<sup>(1)</sup></i>	<i>Value of Whitebark Share to be distributed to Eligible Shareholders under the In Specie Distribution<sup>(2)</sup></i>
383,750,000	\$1,918,750	0.25 cents
Notes:		
(1) Based on the issue price under the Placement of 0.50 cents per Whitebark Share.		
(2) Based on a ratio of one (1) Whitebark Share received for every two (2) Shares held.		

The value of Whitebark Shares, and therefore the reduction in the share capital and net assets of the Company, is calculated based on the number of Whitebark Shares distributed to Eligible Shareholders at the issue price under the Placement of 0.50 cents per Whitebark Share.

A pro forma balance sheet of the Company as at 31 December 2018 is contained in Part 1 of Schedule 1 which shows the financial impact of the capital reduction on the Company.

## 2.6 The effect of the proposed equal reduction of capital on Shareholders

Whitebark Shares will be distributed to Eligible Shareholders on a pro rata basis, with fractional entitlements to be rounded down to the nearest Whitebark Share. Eligible Shareholders will not be required to pay any additional consideration for the Whitebark Shares. The terms of the capital reduction are the same for each Eligible Shareholder (subject to Section 2.10).

As at the date of this Notice of Meeting, the Company has 767,498,870 Shares on issue. The Company currently proposes to distribute approximately 383,750,000 Whitebark shares to Shareholders on the Record Date. Assuming no existing Options are exercised prior to the Record Date, the ratio for the In Specie Distribution will be one (1) Whitebark Share for every two (2) Shares held by Eligible Shareholders at the Record Date.

If any existing Options are exercised prior to the Record Date, this will impact on the number of Whitebark Shares distributed in specie to each Shareholder and the balance of the Whitebark Shares to be retained by the Company. A summary of the financial impact of the capital reduction is set out in Part 1 of Schedule 1 which shows a pro forma balance sheet of the Company as at 31 December 2018 (assuming 385,750,000 Whitebark Shares are distributed to Eligible Shareholders under the In Specie Distribution).

The number of Shares held by Shareholders will not change, and Shareholders will retain their current percentage shareholding interest in the Company, after the In Specie Distribution. However, if the In Specie Distribution is implemented, the post In Specie book value of the Shares will be less than the book value of the Shares held prior to the In Specie Distribution because, after the In Specie Distribution, the Company's net assets will have been reduced by \$1,918,750 due to a reduction in cash to fund the subscription under the Placement and the addition of \$31,253 of Whitebark Shares retained by the Company. The decrease in book value per Share, based on the Company having 767,498,870 Shares on issue as described above, is equal to the valuation of the Whitebark Shares provided in Section 2.5. The rights attaching to Shares will not be altered by the In Specie Distribution.

A general guide to the taxation implications of the capital reduction is set out in Section 2.16. The description is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Shareholder. Shareholders should obtain professional advice as to the taxation consequences of the capital reduction in their specific circumstances.

Given the capital reduction is equal and the Company will still have positive net assets following the In Specie Distribution, the Directors consider the capital reduction is fair and reasonable to Shareholders as a whole.

## **2.7 The effect of the proposed equal reduction of capital on Option holders**

In order to receive Whitebark Shares pursuant to the In Specie Distribution Option holders must exercise their Options and be registered on the Company's Share register on the Record Date.

In accordance with the terms and condition of the existing Options, the number of Options on issue following the In Specie Distribution will remain the same, but the exercise price of each Option will be reduced by the amount of capital returned in relation to each Share. The value of the return of capital per Share to Eligible Shareholders as at the date of this Notice of Meeting is provided at Section 2.5.

The exercise price of each Option held by Option holders will be adjusted on the following basis:

*Adjusted exercise price of each Option after In Specie Distribution = A - B*

*A = Existing exercise price of each Option*

*B = the value of the capital return per Share*

Subject to Shareholders passing Resolution 1, as the return of capital per Share will depend on the number of Whitebark Shares to be distributed to Eligible Shareholders, the Company will update Option holders of the value of the return of capital per Share as at the date of the In Specie Distribution and the impact on the exercise price of each Option remaining on issue at the time of completion of the In Specie Distribution. Based on the maximum number of shares to be distributed under the In Specie Distribution, the Company's existing 65,000,000 unlisted options on issue expiring on 30 June 2020 and currently each exercisable at 0.8 cents will each be exercisable at 0.65 cents on completion of the In Specie Distribution.



## 2.8 Capital Structure of the Company

The Company's current capital structure as at the date of this Notice and following the Placement and In Specie Distribution is set out below.

	Shares	Options
Balance at the date of this Notice	767,498,870	65,000,000 <sup>(1)</sup>
Placement and In Specie Distribution	-	-
Balance following completion of the Placement and In Specie Distribution	767,498,870	65,000,000 <sup>(2)</sup>
Notes:		
(1) Unlisted Options exercisable at 0.8 cents expiring on 30 June 2020.		
(2) Assuming no Options are exercised.		

## 2.9 Capital Structure of Whitebark

Below is a table showing the capital structure of Whitebark pre and post Placement and completion of the In Specie Distribution.

	Whitebark Shares	Whitebark Options
Balance at the date of this Notice	1,573,166,371	713,695,367 <sup>(1)</sup>
Placement	390,000,000	-
Balance following completion of the Placement and In Specie Distribution <sup>(2)</sup>	1,963,166,371	713,695,367 <sup>(1)</sup>
Notes:		
(1) Comprises:		
(a) 602,695,367 listed Whitebark Options exercisable at 1 cent on or before 31 August 2020; and		
(b) 11,000,000 unlisted Whitebark Options exercisable at 1.5 cents on or before 1 April 2021; and		
(c) 100,000,000 unlisted Whitebark Options exercisable at 1.5 cents on or before 31 May 2021.		
(2) Assuming no Whitebark Options are exercised.		

## 2.10 Overseas Shareholders

Distribution of Whitebark Shares to Overseas Shareholders pursuant to the In Specie Distribution will be subject to the legal and regulatory requirements in the relevant overseas jurisdiction.

If, in the opinion of the Directors, the requirements of any jurisdiction where an Overseas Shareholder is resident restricts or prohibits the distribution of Whitebark Shares as proposed or would impose on the Company an undue obligation or burden, the Whitebark Shares to which the relevant Overseas Shareholders would otherwise be entitled will be sold by the Company on behalf of those Shareholders as soon as practicable after the Record Date. The Company will then account to the relevant Shareholders for the net proceeds of the sale after deducting the costs and expenses of the sale.

The net proceeds of sale to be distributed to the relevant Overseas Shareholders may be more or less than the notional dollar value of Whitebark Shares as set out in this Notice.

## 2.11 Directors' interests

Set out in the table below are details of Directors' relevant interests in the Securities of the Company at the date of this Notice and the number of Whitebark Shares that they are entitled to receive if Resolution 1 is passed based on their current holding of Shares.

Director	Shares Held	Options Held	Entitlement to Whitebark Shares <sup>(2)</sup>
Mark Freeman	-	20,000,000 <sup>(1)</sup>	-
Craig Burton	177,576,694	10,000,000 <sup>(1)</sup>	88,788,347
Chris Bath	-	-	-
Notes:			
(1) Unlisted Options exercisable at 0.8 cents expiring on 30 June 2020.			
(2) Assumes no Options held by Directors are exercised or convert into Shares prior to the Record Date.			

No Director has an interest in any securities in Whitebark as at the date of this Notice.

## 2.12 Directors' remuneration

In accordance with the Constitution, the maximum available aggregate remuneration approved for non-executive directors is \$200,000. The Managing Director, Mark Freeman, currently receives a salary of \$200,000 per annum (including superannuation).

The table below sets out the remuneration provided to the Directors or their related entities during the half year to 31 December 2018 (HY18) as well as for the financial years ended 30 June 2017 (FY17) and 30 June 2018 (FY18):

Directors	Year	Salary & Fees \$	Bonuses/ Payments \$	Super- annuation \$	Share Based Payments \$	Total \$
Mark Freeman	HY18	100,000	-	-	-	100,000
	FY18	200,000	-	-	-	200,000
	FY17	200,000	-	-	82,409	282,409
Craig Burton (appointed 5.3.19)	HY18	-	-	-	-	-
	FY18	-	-	-	-	-
	FY17	-	-	-	-	-
Chris Bath (appointed 5.3.19)	HY18	-	-	-	-	-
	FY18	-	-	-	-	-
	FY17	-	-	-	-	-
Charles Morgan (resigned 5.3.19)	HY18	36,000	-	-	-	36,000
	FY18	72,000	-	-	-	72,000
	FY17	72,000	-	-	60,000	132,000
Alan Boss (resigned 5.3.19)	HY18	85,322	-	-	-	85,322
	FY18	154,800	-	-	-	154,800
	FY17	160,000	-	-	41,505	201,505
Stephen Keenihan (resigned 5.3.19)	HY18	24,000	-	-	-	24,000
	FY18	48,000	-	-	-	48,000
	FY17	48,000	-	-	40,903	88,903

## 2.13 Information on Whitebark

### (a) Overview

Whitebark is a Perth-based oil and gas exploration company with production and exploration assets in Canada and Western Australia.

Whitebark currently has 1,573,166,371 Whitebark Shares and 713,695,367 Whitebark Options on issue. Further details on the current capital structure of Whitebark is set out in Section 2.9.

Following completion of the Placement and the In Specie Distribution (assuming no Whitebark Options are exercised), Whitebark will have 1,963,166,371 Whitebark Shares on issue. Of these Whitebark Shares, existing Whitebark shareholders will hold approximately 80.13% and the GGE Shareholders will hold approximately 19.87%.

### (b) Projects

#### **Canada**

Whitebark holds between 20% and 30% working interest (varies by license) in the Point Loma Joint Venture (PLJV) in the province of Alberta with TSXV-listed Point Loma Resources Limited. The PLJV is a well-established producer, with existing oil and gas processing facilities and pipelines into markets. Whitebark's aim for the PLJV is for a significant increase in production through acquisitions, the workover and tie-in of behind-pipe reserves and horizontal development drilling.

The net reserves (Whitebark's working interest 30%) as at 31 December 2018 for the Wizard Lake Oil Pool in Canada (incorporating the Rex Discovery well) have been assessed by McDaniels and Associates as 1P (proved) reserves of 132,000 bbls and 2P (proved plus probable) reserves 225,000 bbls (refer to Whitebark ASX Announcement 15 March 2019 for further details).

#### **Western Australia**

The Warro Project, located northeast of Perth, has unrisksed contingent and prospective resources of 4.4-11.6 trillion cubic feet (Tcf) (refer to Whitebark ASX announcement 19 November 2015 for further details).

Further details in relation to Whitebark's projects in Canada and Western Australia are set out in Schedule 3.

### (c) Future strategy and plans

Following completion of the Placement and the In Specie Distribution, Whitebark intends to proceed to the next phase of the Wizard Lake development following the success of the Rex-1 well in January 2019. The 2019 Wizard Lake development program will encompass the construction of a pipeline and installation of initial production facilities on a multi-well pad in the next 1 to 2 months and the drilling of two new Wizard Lake wells this calendar year.

Construction will shortly commence on the multi-well pad and associated facilities, followed by the pipeline on receipt of final licence. This will enable the Wizard Lake Rex-1 well to be brought into commercial production in April, subject to weather conditions during spring break up. The modular production and processing facility will be located 1.6 km NW from the Rex-1 well. It will have the capacity to service additional Rex wells as they are brought into production. All necessary landholder approvals have been received, clearing the way for the three week construction program once the weather enables access.

In its Wizard Lake reserves update announced to the ASX on 15 March 2018, Whitebark indicated the likelihood of 12-17 gross well locations in the oil pool. Whitebark is finalising development plans for the next two wells in the pool, Rex-2 and Rex-3 with drilling of Rex-2 targeted for mid-2019. Rex-2 is situated to the north of Rex-1 and on the same location as the new Rex facilities with the cost to drill and complete estimated to be approximately C\$2.8m.

Independent operation notices have been filed for two new wells at Wizard Lake, Rex-2 and Rex-3, with drilling targeted to commence in mid 2019. Whitebark is now qualified as an Operator in Alberta, Canada, and can undertake the drilling program if its joint venture partner elects not to participate.

(d) **Board & Management of Whitebark**

The Board of Whitebark is comprised of the following persons:

***Mr Charles Morgan - Executive Chairman***

Mr Morgan has extensive experience in equity capital markets and has been involved with numerous projects over a 25 year period. The bulk of these were in the resources/oil & gas industries and in the technology sector.

***Mr David Messina – Managing Director***

Experienced international executive with proven entrepreneurial skills and solid track record in developing and managing a diverse range of businesses, raising finance, stakeholder engagement and delivering results to shareholders.

Mr Messina has over twenty years' multi-sector experience in the Energy and Agricultural industries, holding senior positions at the board and executive management level. Having lived and worked in numerous countries he has acquired global management experience with both start-up and mature businesses.

***Mr Stephen Keenihan – Non Executive Director***

Mr Keenihan has more than 45 years' experience in the energy industry, within and outside Australia. He has primarily been involved with oil and gas activities but also a broad range of experience in other energy and electricity projects including coal, gas, wind, biofuels and geothermal. He has extensive expertise in oil and gas exploration activities and experience covering a broad range of disciplines including development, operations, commercial and marketing activities both operated and non-operated. Prior to March 2011, Mr Keenihan led a small team of oil and gas professionals who acquired the Warro Gas Field in Western Australia. The Warro operator, Latent Petroleum, merged in 2011 with Whitebark Energy, with Mr Keenihan leading the Company and extending its interests internationally in oil and gas in Canada since that date until 20 August 2013.

(e) **Whitebark ASX approvals, waivers and applications**

Whitebark will seek shareholder approval pursuant to Listing Rule 10.11 to issue the Placement Shares by application of Listing Rule 10.11.2.

No further approvals or waivers are required under the Listing Rules or the Corporations Act in relation to the issue of the Placement Shares by Whitebark.

## **2.14 Rights attaching to the Whitebark Shares**

A summary of the terms and conditions on which the Whitebark Shares will be issued is set out in Schedule 2.

## **2.15 Risk factors**

On completion of the In Specie Distribution, the Shareholders will become direct shareholders in Whitebark and should be aware of the general and specific risks that may affect Whitebark and the value of its securities. These risk factors are outlined in Schedule 4.

## **2.16 Tax consequences**

This Section outlines the likely Australian income tax implications for certain Shareholders from the transfer by the Company to them of Whitebark Shares as a consequence of the In Specie Distribution.

The information outlined in this section is limited solely to the Australian income tax implications of the In Specie Distribution for Australian residents who hold their Shares on capital account. The Section does not provide information relevant to:

- (a) Shareholders who hold their Shares on revenue account (for example, Shareholders who are share traders and certain institutional investors);
- (b) Shareholders who are not the beneficial owners of their Shares in the Company; and
- (c) Shareholders who are not residents of Australia for income tax purposes.

The information outlined in this section is based on the income tax law at the date of this Notice. Any changes in the tax law or interpretation of the tax law subsequent to the date of this Notice may alter the information contained therein.

This information is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for Shareholders. Accordingly, the income tax implications for a particular Shareholder may differ from those detailed in this section, depending on their individual circumstances. Shareholders should not rely on the information outlined in this section as it is only general in nature. The views expressed in this section are not intended as specific advice to Shareholders. The application of tax legislation may vary according to the individual circumstances of Shareholders.

Neither the Company or any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed In Specie Distribution.

It is recommended that all Shareholders should, in considering the implications to them of the In Specie Distribution, obtain independent tax advice regarding the income tax implications specific to their circumstances.

### ***Tax Implications for Shareholders***

Shareholders are being asked to approve the In Specie Distribution the subject of Resolution 1. Under the In Specie Distribution, Eligible Shareholders will:

- (a) keep their existing Shares; and
- (b) receive approximately one (1) Whitebark Share for every two (2) Shares (refer Section 2.1 for more details) held on the Record Date (with each Shareholder's total In Specie entitlement rounded down to the nearest whole Whitebark Share).

The return of capital will be effected by the in specie distribution of the shares in Whitebark. The market value of the return of capital for taxation purposes will be 0.25 cents per Share.

### **1. Capital Return**

The Company confirms its understanding that:

- (a) No part of the proposed capital return will be treated as a dividend for Australian income tax purposes;
- (b) If the cost base of a Share acquired is less than the capital return amount (on a cents per Share basis) then an immediate capital gain may arise for the difference;
- (c) Otherwise, the cost base for each Share will be reduced by the capital return amount (on a cents per Share basis) for the purpose of calculating any capital gain or loss on the ultimate disposal of that Share; and
- (d) For those Shareholders who are not tax residents of Australia, no Australian capital gain or loss should arise as a consequence of the capital return on the basis that the Shares do not represent Taxable Australian Real Property, as defined.

In the event where the market value of the Whitebark Shares exceeds the cost base of the such shares then there is a risk that the Commissioner of Taxation may consider a component of the return as dividend. Shareholders should seek independent taxation advice confirming this and the resultant tax implication arising thereto.

### **2. Non Residents**

Existing Shareholders who are not residents of Australia for income tax purposes should seek specific advice in relation to the taxation consequences arising from the return of capital under the laws of their country of residence.

## **2.17 Lodgement with ASIC**

The Company has lodged with the ASIC a copy of this Notice of Meeting and the Explanatory Memorandum in accordance with section 256C(5) of the Corporations Act. The Company has also lodged with ASIC a copy of the Prospectus that accompanies this Notice of Meeting at the same time the Notice of Meeting was lodged with ASIC.

The ASIC and its officers take no responsibility for the contents of this Notice or the merits of the transaction to which this Notice relates.

## **2.18 Disclosure to the ASX and ASIC**

The Company and Whitebark are disclosing entities under the Corporations Act and are subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules of ASX.

Copies of documents lodged with ASIC in relation to the Company and Whitebark may be obtained from, or inspected at, an ASIC office.

## **2.19 No Financial Product Advice**

This document does not constitute financial product or investment advice, nor a recommendation in respect of the Whitebark Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act Shareholders and others should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances.

Neither the Company nor Whitebark is licensed to provide financial project advice. No cooling-off regime applies in respect of the acquisition of Whitebark Shares under the In Specie Distribution (whether the regime is provided for by law or otherwise).

## **2.20 Other Legal Requirements**

Under ASIC Regulatory Guide 188, an invitation to Shareholders to vote on Resolution 1 for the In Specie Distribution of Whitebark Shares to Shareholders is considered by ASIC to constitute an offer of securities under Chapter 6D of the Corporations Act and accordingly a prospectus is required unless an exemption applies. As no exemption applies, the Company has prepared a prospectus that contains information in relation to Whitebark (**Prospectus**).

The Prospectus accompanies this Notice of Meeting and has been lodged with ASIC at the same time as this Notice of Meeting. The Company recommends that all Shareholders read the Prospectus carefully and in conjunction with this Notice of Meeting. The Whitebark Shares will be issued by Whitebark to the Company pursuant to a cleansing notice or prospectus (if required).

The Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means the Prospectus alone does not contain all the information that is generally required to satisfy the disclosure requirements of the Corporations Act. Rather, it incorporates all other necessary information by reference to information contained in this Notice of Meeting lodged with ASIC. The Prospectus is issued pursuant to Section 712 of the Corporations Act. The Prospectus, by reference to the information contained in this Notice, contains information in relation to Whitebark. The Company recommends that all shareholders read the Prospectus carefully and in conjunction with this Notice of Meeting and explanatory Statement.

## **2.21 No other Information**

There is no information known to the Company that is material to the decision by a Shareholder on how to vote on Resolution 1 other than as disclosed in this Notice of Meeting and Explanatory Statement, the accompanying Prospectus and information that the Company has previously disclosed to Shareholders.

## Schedule 1 – Financial Information

### Part 1 – Financial Information of the Company

Set out below is an unaudited pro forma statement of financial position of the Company which has been prepared using audit reviewed accounts as at 31 December 2018.

The following adjustments and assumptions have been made in the preparation of the pro forma balance sheet:

- The audit reviewed balance sheet of the Company as at 31 December 2018 has been adjusted to include the following transactions since 31 December 2018:
  - receipt of all revenue related Accounts Receivable as at 31 December 2018;
  - payment of the subscription funds under the Placement, being \$1.95m for the subscription of 390,000,000 shares at 0.5 cents per share;
  - distribution of \$1.918m of Whitebark shares to Shareholders as a pro-rata In Specie distribution; and
  - retention of \$31,253 of Whitebark shares post In specie distribution.
- The accounting policies applied by the Company have been consistently applied in the preparation of the unaudited pro forma balance sheet, and no review has been made in respect of the appropriateness of these policies of accounting treatments.

	31-Dec-18	Adjustments	Proforma
	\$	\$	\$
<b>Current Assets</b>			
Cash & cash equivalents	1,493,788	- 1,467,378	26,410
Trade & other receivables	589,130	- 536,290	52,840
<b>Total Current Assets</b>	<b>2,082,918</b>	<b>- 2,003,668</b>	<b>79,250</b>
<b>Non-Current Assets</b>			
Investment	2	31,253	31,255
Computer Equipment	1,122		1,122
Oil & Gas Properties	2,303,658		2,303,658
<b>Total non-current assets</b>	<b>2,304,782</b>	<b>31,253</b>	<b>2,336,035</b>
<b>Total assets</b>	<b>4,387,700</b>	<b>- 1,972,415</b>	<b>2,415,285</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	62,809	- 53,668	9,141
<b>Total Current Liabilities</b>	<b>62,809</b>	<b>- 53,668</b>	<b>9,141</b>
<b>Non Current Liabilities</b>			
Restoration Provision	291,150		291,150
<b>Total non current liabilities</b>	<b>291,150</b>		<b>291,151</b>
<b>Total Liabilities</b>	<b>353,959</b>		<b>300,291</b>
<b>Net Assets</b>	<b>4,033,741</b>	<b>- 1,972,415</b>	<b>2,114,994</b>
<b>Equity</b>			
Contributed equity	42,104,442	- 1,918,747	40,185,695
Reserves	5,355,940		5,355,940
Accumulated losses	- 43,426,641		- 43,426,641
<b>Total equity</b>	<b>4,033,741</b>	<b>- 1,918,747</b>	<b>2,114,994</b>

The above unaudited pro forma statement of financial position has been prepared for illustrative purposes only and gives effect to the transactions described in the notes to the pro forma consolidated statement of financial position and the assumptions described therein as if it had occurred as of 31 December 2018.

The above unaudited pro forma consolidated statement of financial position has been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (IFRS). The above unaudited pro forma consolidated statement of financial position should be read in conjunction with the historical financial statements of the Company.

## Part 2 – Financial Information of Whitebark

Set out below is an unaudited pro forma statement of financial position of Whitebark Energy Limited which has been prepared using audit reviewed accounts as at 31 December 2018.

The following adjustments and assumptions have been made in the preparation of the pro forma balance sheet:

- The audit reviewed balance sheet of Whitebark Energy Limited as at 31 December 2018 has been adjusted to account for the receipt of the funds raised under the Placement net of costs.
- The accounting policies applied by Whitebark Energy Limited have been consistently applied in the preparation of the unaudited pro forma balance sheet, and no review has been made in respect of the appropriateness of these policies of accounting treatments.

	AUDIT REVIEW	PROFORMA Adjustments	UNAUDITED PROFORMA
	31-Dec-18	2019	30-Jun-19
<b>CURRENT ASSETS</b>			
Cash	3,932,526	1,936,477	5,869,003
Trade and other receivables	329,441	-	329,441
Other investments	839,329	-	839,329
Other current assets	20,417	-	20,417
<b>TOTAL CURRENT ASSETS</b>	<b>5,121,713</b>	<b>1,936,477</b>	<b>7,058,190</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8,722,247	-	8,722,247
Exploration and evaluation assets	863,198	-	863,198
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,585,445</b>	<b>-</b>	<b>9,585,445</b>
<b>TOTAL ASSETS</b>	<b>14,707,158</b>	<b>1,936,477</b>	<b>16,643,635</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	1,597,047	-	1,597,047
Provisions	87,541	-	87,541
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,684,588</b>	<b>-</b>	<b>1,684,588</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	7,553	-	7,553
Decommissioning liabilities	7,838,547	-	7,838,547
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>7,846,100</b>	<b>-</b>	<b>7,846,100</b>
<b>TOTAL LIABILITIES</b>	<b>9,530,688</b>	<b>-</b>	<b>9,530,688</b>
<b>NET ASSETS (LIABILITIES)</b>	<b>5,176,470</b>	<b>1,936,477</b>	<b>7,112,947</b>
<b>EQUITY</b>			
Issued Capital	56,445,562	1,936,477	58,382,039
Reserves	848,027	-	848,027
Accumulated losses	- 52,117,119	-	- 52,117,119
<b>TOTAL EQUITY</b>	<b>5,176,470</b>	<b>1,936,477</b>	<b>7,112,947</b>

The above unaudited pro forma statement of financial position has been prepared for illustrative purposes only and gives effect to the transactions described in the notes to the pro forma consolidated statement of financial position and the assumptions described therein as if it had occurred as of 31 December 2018.



The above unaudited pro forma consolidated statement of financial position has been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (IFRS). The above unaudited pro forma consolidated statement of financial position should be read in conjunction with the historical financial statements of Whitebark Energy Limited.

## Schedule 2 – Rights and liabilities attaching to Whitebark Shares

The following is a summary of the more significant rights and liabilities attaching to Whitebark Shares to be issued under the Placement. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Whitebark shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to the Placement Shares is set out in Whitebark's constitution, a copy of which is available for inspection at the registered office of Whitebark during normal business hours.

### (a) General meetings

Whitebark Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of Whitebark.

Whitebark Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of Whitebark.

### (b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Whitebark Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Whitebark Shareholder or a proxy, attorney or representative of a Whitebark Shareholder has one vote; and
- (iii) on a poll, every person present who is a Whitebark Shareholder or a proxy, attorney or representative of a Whitebark Shareholder shall, in respect of each fully paid Whitebark Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Whitebark Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Whitebark Shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

### (c) Dividend rights

Subject to the rights of any preference Whitebark Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Whitebark Shareholders entitled to the dividend which shall be payable on all shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such shares.

The Whitebark directors may from time to time pay to the Whitebark Shareholders any interim dividends as they may determine. No dividend shall carry interest as against Whitebark. The Whitebark directors may set aside out of the profits of Whitebark any amounts that they may determine as reserves, to be applied at the discretion of the Whitebark directors, for any purpose for which the profits of Whitebark may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, Whitebark may, by resolution of the Whitebark directors, implement a dividend reinvestment plan on such terms and conditions as the directors think fit and which provides for any dividend which the directors may declare from time to time payable on Whitebark Shares which are participating Whitebark Shares in the dividend reinvestment plan, less any amount which Whitebark shall either pursuant to the constitution or any law be entitled or obliged to retain, be applied by Whitebark to the payment of the subscription price of Whitebark Shares.

### (d) Winding-up

If Whitebark is wound up, the liquidator may, with the authority of a special resolution, divide among the Whitebark Shareholders in kind the whole or any part of the property of Whitebark, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Whitebark Shareholders or different classes of Whitebark Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Whitebark Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) Whitebark Shareholder liability

As the Whitebark Shares issued will be fully paid shares, they will not be subject to any calls for money by the Whitebark directors and will therefore not become liable for forfeiture.

(f) Transfer of Whitebark shares

Generally, shares in Whitebark are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) Future increase in capital

The issue of any new Whitebark Shares is under the control of the directors of Whitebark. Subject to restrictions on the issue or grant of Whitebark securities contained in the ASX Listing Rules, the constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Whitebark directors may issue Whitebark Shares as they shall, in their absolute discretion, determine.

(h) Variation of rights

Under section 246B of the Corporations Act, Whitebark may, with the sanction of a special resolution passed at a meeting of Whitebark Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not Whitebark is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) Alteration of constitution

In accordance with the Corporations Act, the constitution can only be amended by a special resolution passed by at least three quarters of Whitebark Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

## Schedule 3 – Whitebark Projects

### Canada

Whitebark holds between 20% and 30% working interest (varies by license) in the Point Loma Joint Venture (PLJV) in the province of Alberta with TSXV-listed Point Loma Resources Limited. The PLJV is a well-established producer, with existing oil and gas processing facilities and pipelines into markets. Whitebark's aim for the PLJV is for a significant increase in production through acquisitions, the workover and tie-in of behind-pipe reserves and horizontal development drilling.

The primary focus of the PLJV has been on the development and optimisation of existing oil pools. A disciplined and pragmatic technical approach in nearby areas has uncovered robust exploration potential. The PLJV exploration drilling program originally focussed on three areas of interest - the Rex (Upper Mannville) oil play, Lower Mannville oil play and Banff oil play. The successful drilling and testing of the Wizard Lake Rex well has re-directed the immediate focus in H1 of CY2019 to the development of the Rex field.

On the 15 March 2019 Whitebark announced net reserves (Whitebark's working interest 30%) as at 31 December 2018 for the Wizard Lake Oil Pool in Canada (incorporating the Rex Discovery well) have been assessed by McDaniels and Associates as:

- 1P (proved) reserves of 132,000 bbls
- 2P (proved plus probable) reserves 225,000 bbls.

Refer to Whitebark's ASX announcement dated 15 March 2019 for further details.

### Western Australia

Through wholly owned subsidiary Latent Petroleum Pty Ltd, Whitebark holds a 100% interest in the undeveloped Warro Gas Project, about 200km north of Perth. The Warro Project has unrisksed contingent and prospective resources of 4.4-11.6 trillion cubic feet (Tcf) (refer Whitebark ASX announcement dated 19 November 2015 for further details).

On 26 June 2018, Whitebark announced the return to full ownership and control of the Warro Field after Alcoa agreed to relinquish its 43% interest earned in the asset. As part of the transfer, Alcoa has agreed to provide future funding to cover its share of plug and abandonment liabilities in the event any of the wells are not used in future development scenarios.

In November 2018 the WA Government announced it would lift the moratorium on fracking (imposed in September 2017) of existing projects north of Perth, after an Independent Scientific Panel Inquiry into Hydraulic Fracture Stimulation in Western Australia found that risks associated with the gas extraction technique are minimal and can be safely managed. As a result, the legislative impediment to the development of Whitebark's 100% owned Warro Project – located 200 kilometres north of Perth - is now in the process of being lifted by the WA Government.

The WA Government has undertaken to implement all the Inquiry's recommendations by developing and implementing additional approvals and regulations governing the hydraulic fracturing of exploration and productions wells. This process is expected to require many months to achieve and therefore any hydraulic fracturing activity in Western Australia may not be able to occur until 2020.

## Schedule 4 – Whitebark Risk Factors

On completion of the Placement and the In Specie Distribution, the Company's Shareholders will become shareholders in Whitebark (for the purposes of this Schedule, the **Company**) and should be aware of the general and specific risks that may affect the Company and the value of its securities. These risk factors are outlined below.

The list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. Those factors, and others not specifically referred to, may in the future materially affect the financial performance of the Company and the value of the Company's shares. Whitebark Shares carry no guarantee with respect to the payment of dividends, return of capital or their market value.

### 1. Key risks specific to an investment in the Company

Shareholders should be aware of the key risks specific to an investment in the Company as described below. The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers immaterial, which may affect the Company. Based on the information available, a non-exhaustive list of risk factors for the Company, associated with the proposed transaction is set out below.

#### (a) Contractual Risk

Oil and gas ventures are typically operated under "Joint Operating Agreements", which include provisions that often require certain decisions relating to the exploitation of the oil and gas properties to be passed with unanimous or majority approval of all participants. Where a venture partner does not act in the best commercial interest of the project, it could have a material adverse effect on the interests of the Company.

The Directors are unable to predict the risk of:

- financial failure, non-compliance with obligations or default by a participant in any venture to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its exploration, development and production activities; or
- insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

#### (b) Exploration and development

The future value of the Company will depend on its ability to find and develop oil and gas resources that are economically recoverable within the Company's granted exploration and production permits. Hydrocarbon exploration and development is inherently highly speculative and involves a significant degree of risk. There can be no assurance that the Company's planned exploration, appraisal and development activities will be successful. Even if oil and gas resources are identified, there is no guarantee that it will be economic to extract these resources or that there will be commercial opportunities available to monetise these resources. The proposed exploration and future drilling programs could experience cost overruns that reduce the Company's ability to complete the planned exploration and future drilling program in the time expected.

Oil and gas exploration may involve drilling operations and exploration activities which do not generate a positive return on investment. This may arise from dry wells, but also from wells that are productive but do not produce sufficient revenues to return a profit after accounting for drilling, operating and other associated costs. The production from successful wells may also be impacted by various operating conditions, including insufficient storage or transportation capacity, or other geological and mechanical conditions. In addition, managing drilling hazards or environmental damage and pollution caused by exploration and development operations could greatly increase the associated cost and profitability of individual wells.

**(c) Hydraulic fracturing**

The Company uses horizontal drilling together with hydraulic fracturing stimulation technology in its exploration, production and development activities. The use of these technologies may be necessary for the production of commercial quantities of oil and gas from geological formations of the type that the Company is targeting. The enactment of any new laws, regulations or requirements by any relevant government authority in respect of hydraulic fracturing could result in operational delays, increased operational costs and potential claims from a third party or governmental authority.

Investors should note that hydraulic fracturing has been the subject of increased media scrutiny, particularly in the United States and more recently Australia, due to its potential environmental impacts on land and underground water supply if not properly managed.

On the 5th September 2017 the Western Australian (WA) government announced a moratorium on hydraulic fracturing for onshore gas activity in WA while it undertakes a scientific enquiry. In November 2018 the WA Government announced it would lift the moratorium on fracking of existing projects north of Perth, after an Independent Scientific Panel Inquiry into Hydraulic Fracture Stimulation in Western Australia found that risks associated with the gas extraction technique are minimal and can be safely managed. As a result, the legislative impediment to the development of Whitebark's 100% owned Warro Project, located 200 kilometres north of Perth, is now in the process of being lifted by the WA Government. The WA Government has undertaken to implement all the Inquiry's recommendations by developing and implementing additional approvals and regulations governing the hydraulic fracturing of exploration and production wells. However, this process is expected to take some time to complete and therefore any hydraulic fracturing activity in Western Australia may not be able to occur until 2020 or afterwards.

The drilling activities undertaken in Canada by the Company involve hydraulic fracturing stimulation technology which is allowable in that jurisdiction.

Restrictions or prohibitions on the use of hydraulic fracturing may reduce the amount of oil and gas the Company can produce and may have a material impact on the Company's business.

**(d) Environmental regulations**

Oil and gas exploration, development and production generates potential environmental risks and is therefore subject to environmental regulation pursuant to a variety of State, Territory and Federal laws and regulations. In particular there are regulations in place with respect to potential spills, contamination, releases and emission of substances related, or incidental to, the production of oil and gas. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. In certain circumstances, these laws and regulations also create obligations to remediate current and former facilities and locations where operations are or were conducted.

Compliance with these regulations can require significant expenditure and a breach may result in substantial financial liability on the Company. These risks will be minimised by the Company conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

**(e) Operational**

Oil and gas exploration and development activities involve numerous operational risks, including encountering unusual or unexpected geological formations, mechanical breakdowns or failures, human errors and other unexpected events which occur in the process of drilling and operating oil and gas wells.

The occurrence of any of these risks could result in substantial financial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, environmental damage or pollution, clean-up responsibilities and regulatory investigation, amongst other factors. Damages occurring to third parties as a result of such risks may give rise to claims against the Company which may not be covered fully by insurance or at all.

**(f) Native Title / Claims by Indigenous Inhabitants**

The effect of the Native Title Act is that existing and new permits held by the Company may be affected by Native Title procedures. The requirement to comply with the Native Title Act has the potential to significantly delay the grant of exploration permits and other petroleum permits in Australian jurisdictions. This is because generally a proponent must negotiate with and obtain the consent to grant of any determined Native Title holders or groups with a registered claim overlapping the permit area.

Such procedures may take considerable time, involve the negotiation of significant agreements, may involve a requirement to negotiate for access rights, and require the payment of compensation to those persons holding or claiming Native Title in the land which is the subject of a permit. The administration and determination of Native Title issues may have a material adverse impact on the position of the Company and its business.

If the Company applies for additional rights such as a production lease, it will also need to comply with the procedures under the Native Title Act at this time, which will include negotiations with Native Title Parties.

The oil and gas assets of the Company may be subject to land claims by First Nations or indigenous people in Canada. Should this occur and be successful, the Company's ability to conduct exploration and/or development and production activities may be affected, which may have a material adverse effect on the Company's financial performance and the price at which its securities trade. The legal nature of aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Company's ownership interest in the properties leased or owned by the Company cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of aboriginal rights in the area in which the properties leased or purchased by the Company are located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Company's activities. Even in the absence of such recognition, the Company may at some point be required to negotiate with First Nations or other indigenous people in order to facilitate exploration and development work on the properties leased or owned by the Company.

**(g) Cultural Heritage and Aboriginal sites of significance**

Legislation in Australia and overseas typically allows for the protection of the cultural heritage of both indigenous peoples and later settlers. Permits and project areas may contain sites of significance, which would need to be avoided when carrying out field programs and project development. A failure to comply with this legislation may amount to a criminal offence carrying penalties of imprisonment and monetary fines.

One way to address Aboriginal cultural heritage is to enter into an agreement with the relevant Native Title Party (commonly called a Heritage Protection Agreement or a Petroleum Access & Heritage Agreement. Any refusal or delay in obtaining the necessary approvals or clearance from the Native Titles Parties may result in a departure from the Company's proposed work program and may have a material impact on the Company's business.

Despite any measures put in place by the Company, there remains a risk that sites of cultural significance may exist that may contain an economic hydrocarbon resource, which would not be able to be accessed by the Company.

**(h) Reserves and resources**

Accumulations of hydrocarbons will be classified according to the system designed by the Society of Petroleum Engineers, through the Petroleum Resources Management System (SPE-PRMS) and in accordance with the Listing Rules.

The SPE-PRMS system classifies accumulations of hydrocarbons with respect to a matrix of uncertainty and chance of commerciality. Whilst there are a multitude of pathways through this matrix from Prospective Resources to Contingent Resources and then to reserves, the process is defined by the three stages of exploration, appraisal and development.

Prospective Resources are defined as those quantities of oil and gas which are estimated on a given date to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development however, are undiscovered and as such carry significant exploration risk.

There is a different process for the conversion of resources to reserves between conventional (high permeability) reservoirs and unconventional (low permeability) reservoirs. For conventional reservoirs this is done via relatively short term flow tests in the appraisal wells. For the unconventional reservoirs which often contain much larger accumulations covering large areas, a number of longer term production pilots may be required to demonstrate commerciality and quantification of reserves.

In general, estimates of economically recoverable oil and gas reserves and resources are based upon a number of variable factors and assumptions, such as comparisons with production from other producing areas, the assumed effects of regulation by governmental agencies, assumptions regarding future oil and gas prices and future operating costs, all of which may vary considerably from actual results. Actual production with respect to reserves may vary from such estimates and such variances could be material.

Reserve and resource estimates are estimates only and no assurance can be given that any particular level of recovery from hydrocarbon reserves will in fact be realised or that an identified hydrocarbon resource will ever qualify as commercially viable which can be legally and economically exploited.

**(i) Water**

The exploration for and production of oil and gas requires a reliable water source. The Company may need to secure water licenses for the taking and using of water. There is a risk that the water allocation for a particular area will be exhausted. Where this is the case, the Company will need to consider alternative options for obtaining water such as entering into an arrangement to lease a water entitlement from an existing water license holder. In addition to the amounts of water normally required in drilling activities, the use of hydraulic fracturing stimulation would require further volumes of water.

**(j) Operational authorisations**

The Company's gas and oil exploration and development activities and operations are focused on Western Australia and Canada and are subject to significant government oversight, regulation and control.

In Australia, these operational regulations may vary between the States and Commonwealth of Australia governing bodies. Various levels of government (both State and those of the Commonwealth of Australia) have imposed rules and regulations that the Company must comply with and from which the Company must obtain and maintain certain licenses, authorisations and permits in respect of its exploration and development activities (collectively, Authorisations). The Authorisations, which are required by the Company to carry out exploration and development, may not be granted or may be withdrawn or made subject to limitations.

Authorisations relate to, among other things, the protection of the environment, Aboriginal cultural heritage, native title rights, the protection of workers and the public. Changes in government, government policies and legislation could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Although the Authorisations may be renewed following expiry or granting, there can be no assurance that such Authorisations will be renewed or granted on the same terms. There are also risks that there could be delays in obtaining such Authorisations. If the Company does not meet its work and/or expenditure obligations under its Authorisations, this may lead to dilution of its interest in, or the loss of such interest. The Company cannot provide assurances that it will be able to obtain all necessary licenses, Authorisations and permits.

In Canada, there are a number of Federal and provincial policies and regulations that may have a material impact on the financial and operational performance of the company if modified. These include changes to the regulation and licensing system, changes to taxes and royalty structure, changes to legislation around drilling, completion and environmental approvals.

The Canadian oil and gas assets may be subject to claims by First Nations and indigenous/aboriginal people. A successful claim may negatively impact the Company's ability to conduct exploration and production which may have a material adverse effect on the Company's financial performance.

**(k) Availability of drilling and other service equipment**

The Company's oil and gas exploration and development activities are dependent on the availability of drilling rigs and related equipment in the area of its exploration permits. The Company continues to monitor rig availability for its planned drilling however it has not, at this time, secured the use of a drilling rig or hydraulic fracturing equipment for its operations.

**(l) Seasonality and weather**

Operations on a number of the Company's exploration permits are affected by seasonal weather conditions. The operations can occur during the less optimal seasons however the risk of reduced access, significant weather downtime and substantial cost overruns is increased during these times.



**(m) Commercialisation and infrastructure access**

The Company's potential future earnings, profitability, and growth are likely to be dependent upon the Company being able to successfully implement some or all of its commercialisation plans. The ability for the Company to do so is further dependent upon a number of factors, including matters which may be beyond the control of the Company. The Company may not be successful in securing identified customers or market opportunities.

The Company's ability to sell and market its production will be negatively impacted should it be unable to secure adequate transportation and processing. Access will depend on the proximity and capacity of pipelines and processing facilities. Furthermore, the Company may be required to develop its own pipeline infrastructure or secure access to third party pipeline infrastructure in order to deliver oil and gas to key markets or customers, or to directly deliver gas to key markets or customers. The development of its own pipeline infrastructure will be subject to the Company obtaining relevant approvals including pipeline licences.

**(n) Competition**

Oil and gas exploration is highly competitive in Australia and Canada. The Company competes with numerous other oil and gas companies in the search for oil and gas reserves and resources. Competitors include oil and gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company is protected from competition on permits in which it holds exclusive exploration rights, however the Company may face competition for drilling equipment and skilled labour. The Company may also face competition from competitors on permits in which it currently holds exploration rights, in the event that, as a condition of any permit held, it is required to partially relinquish certain parts of the permit. If the Company elects to re-apply for these exploration rights, there is no guarantee that the Company will be successful in its application against other competing offers.

**(o) Reliance on key personnel**

The Company's future value will depend in part on the performance of its senior management and other key personnel. The Company's progress in pursuing its exploration and evaluation programs within the time frames and within the costs structure as currently envisaged could be adversely influenced by the loss of existing key personnel. Whilst the Company has taken steps to secure appropriately qualified senior management, the competition for qualified personnel in the oil and gas industry is notable and there can be no assurance that the Company will be able to retain or hire all personnel necessary for the development and operation of its business. The impact of a loss of key staff would be dependent upon the quality and timing of the employee's replacement.

Although the Company's key personnel have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring and developing oil and gas projects, there is no guarantee or assurance that they will be successful in implementing the Company's objectives.

**(p) Stakeholder management**

Onshore oil and gas exploration is currently subject to increased public scrutiny. Community engagement, or the lack thereof, may have an impact on exploration and development and commercialisation opportunities for future discovered resources. The Company is placing significant focus on establishment of strong relations with the relevant Native Title Parties and Land Councils to mitigate risks in this area.

**(q) Petroleum Resources Rent Tax**

In 2012 the Australian Federal Government enacted legislation for the extension of the Petroleum Resources Rent Tax (PRRT) to onshore and offshore oil and gas projects, including Shale Gas projects.

The legislation applies a 40% tax on certain profits from oil and gas and liquids sales.

The operation of the PRRT could have a materially adverse effect on the Company to the extent that it will apply to oil and gas produced and sold by the Company from onshore production.

**(r) Land access**

The Company requires land access in order to perform exploration and development activities. Access to land can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or in Western Australia claims under the Native Title Act. The Company (or its respective JV partner) will need to enter into compensation arrangements with private landowners or occupiers for the impact on private land by the proposed activities. The Company's operations may be adversely impacted or delayed in the event of a dispute with a land owner.

**(s) Exploration work program commitments**

In Western Australia, the terms of the Company's granted Exploration Permits include minimum work program expenditure requirements and the estimated indicative expenditure associated with that work program. The actual work may be insufficient to meet those requirements. There is a risk that where the terms of the permits are not complied with, the Minister may exercise his discretion to cancel the permit or not renew the permit. The Company intends to mitigate this risk by re-evaluating its exploration program and budget and if necessary, seeking further funding, or considering other options including, where appropriate and allowed by the terms of their issue, surrendering parts of its permits or applying to the Minister for a variation and suspension of, and exemption from compliance with, the conditions of the permit, in order to manage its minimum work program and expenditure obligations.

In Alberta Canada new licenses or leases are awarded via a government auction system every two weeks. On award of a new lease or licence the Company must drill a well on that land within the prescribed period otherwise the lease or license will be returned to the crown at the end of the term. While the Company does not assume financial liability on award of the new lease or license its land holding may be reduced at the end of the term if it is not able to undertake the drilling program as prescribed by the government.

**(t) JV partners and contractors**

Oil and gas ventures are typically operated under joint venture arrangements, such as the Company's farm-in agreement in relation to the Point Loma Joint Venture. These arrangements include provisions that often require certain decisions relating to the projects to be passed with unanimous or majority approval of all participants. Where a venture partner does not act in the best commercial interest of the project, it could have a material adverse effect on the interests of the Company. The Company is unable to predict the risk of:

- financial failure, non-compliance with obligations or default by a participant in any venture to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or
- insolvency or other managerial failure by any of the other service providers used by the Company for any activity,

all of which could have a material adverse effect on the operations and financial performance of the Company.

**2. General risks**

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

**(a) Funding Risk**

The Company's ability to effectively implement its business and operational plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of exploration, development or production on the Company's properties or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Company's shareholders.

**(b) Share market price and liquidity risk**

The price at which the Company's shares trade cannot be accurately predicted. The trading price of Company's shares can be affected by general market conditions as well as factors specifically affecting the Australian resources sector. Factors that could impact the trading price that are unrelated to the Company's performance include domestic and global commodity prices and economic outlook, fiscal and monetary policies, currency movements, and market perceptions of the attractiveness of particular industries.

**(c) Volatility of oil and gas prices**

The Company's current and possible future revenues will be derived mainly from the sale of gas and/or liquids. Consequently, the Company's potential future earnings, profitability, and growth are likely to be closely related to the price of gas and liquids.

Historically, oil and gas prices have fluctuated in response to changes in the supply of and demand for gas and liquids, economic uncertainty, and a variety of additional factors beyond the control of the Company. Such influencing factors include economic conditions in Australia and abroad, government regulation and sanctions, the actions of the Organization of the Petroleum Exporting Countries (OPEC), political stability in the Middle East and elsewhere and the availability of alternative fuel sources.

The Company could receive a lower price for the sale of condensate than the prevailing price for oil at the time of any future production, depending on the agreed pricing terms in relation to any that are produced.

Any substantial and extended decline in the market price of oil and gas and condensate could have an adverse effect on the Company's future revenues, profitability, cash flow from operations, carrying value of future reserves, and borrowing capacity amongst other factors. If the market price of oil and gas and condensate sold by the Company were to fall below the costs of production and remain at such a level for any sustained period, the Company would experience losses and could have to curtail or suspend some or all of its proposed activities. In such circumstances, the Company would also have to assess the economic impact of any sustained lower commodity prices on the recoverability of existing reserves.

**(d) Legislative change**

Oil and gas companies (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of the Company.

Other than as set out in this Schedule, the Company is not aware of any other current or proposed material changes in relevant regulations or policy.

**(e) Exchange rate**

The revenues, earnings, assets and liabilities of the Company may be exposed adversely to exchange rate fluctuations. If the Company achieves commercial production, the revenue from its products may be denominated in Australian dollars or a foreign currency. As a result, fluctuations in exchange rates could result in unanticipated and material fluctuations in the financial results of the Company.

**(f) Labour**

The Company will require skilled workers and engineers in order to operate its activities. The inability to secure the necessary labour resources, industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

**(g) Insurance arrangements**

Oil and gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fires, explosions, blowouts, gas releases and spills which could result in property or environmental damage and personal injury. The Company intends to ensure that insurance is maintained in accordance with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that the Company will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any potential claims.

**(h) Unforeseen expenses**

Whilst the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses or increases to existing expenditure plans were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

## Schedule 5 - Definitions

In this Explanatory Memorandum, the Notice of General Meeting, Proxy Form and Prospectus:

**\$** means Australian Dollars

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

**AWST** means Australian Western Standard Time.

**Company** means Grand Gulf Energy Limited ACN 073 653 175.

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** mean the directors of the Company.

**Eligible Shareholder** means a holder of Shares in the Company as at the Record Date.

**Explanatory Memorandum** means the explanatory memorandum accompanying the Notice.

**In Specie Distribution** has the meaning given in Section 1.1.

**Listing Rules** means the official listing rules of ASX.

**Meeting** has the meaning in the introductory paragraph of the Notice.

**Notice of Meeting or Notice** means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

**Option** means an option to subscribe for a Share.

**Overseas Shareholder** means an Eligible Shareholder with a registered address outside of Australia on the Record Date.

**Placement** has the meaning given in Section 1.1.

**Proxy Form** means the proxy form attached to the Notice.

**Record Date** means the record date for the In Specie Distribution in the timetable in Section 2.2.

**Subscription Agreement** means the agreement between the Company and Whitebark in respect to the subscription by the Company for all of the Whitebark Shares issued under the Placement.

**Section** means a section of the Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Whitebark** means Whitebark Energy Limited ACN 079 432 796.

**Whitebark Director** means a current director of Whitebark.

**Whitebark Option** means an option to subscribe for a Whitebark Share.

**Whitebark Share** means a fully paid ordinary share in the issued capital of Whitebark on the terms and conditions summarised in Schedule 2 of this Notice.