



Ardent Resources Limited

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ASX Announcement

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Ardent Resources to acquire US focused Oil and Gas producer Shale Energy Limited

- **Shale Energy has interests in three separate acreage positions (non operated) in the Williston Basin (Bakken and Three Forks shale plays), North Dakota**
- **Operators include EOG Resources (NYSE: EOG), Sinclair Oil & Gas and SM Energy (NYSE:SM)**
- **Shale currently has producing wells with plans to significantly increase the number of wells over the next few years**
- **Net oil production expected to increase from 25 bbl/d currently to over 250 bbl/d by mid 2016* based on current portfolio with no new acquisitions**
- **US\$2 million line of credit with Bancfirst of Oklahoma in place to fund growth**
- **All script transaction, Ardent to issue shares to Shale Energy shareholders**
- **Currently pursuing organic growth and acquisition opportunities**

The Directors of Ardent Resources Limited ("Ardent") (ASX: AWO) are pleased to announce that the Company has executed an Agreement to acquire 100% of the issued capital of Shale Energy Limited (ACN 128 604 697) ("Shale Energy"), an unlisted Australian public company with oil and gas production assets in North Dakota, USA. Ardent will acquire 100% of Shale Energy in exchange for 208,000,000 Ardent shares being issued to Shale Energy's shareholders.

Shale Energy has three separate tenements in the Williston Basin (Bakken and Three Forks), North Dakota, containing three producing Bakken/Three Forks wells with permitting and applications for at least 28 additional wells. (see **Figure 1**).

Shale Energy has a growing production profile, with net oil production expected to rise from 25 bbl/d currently, to over 250 bbl/d by mid-2016 with no further acquisitions*. The company also has funding flexibility, with a US\$2,000,000 line of credit currently in place with Bancfirst of Oklahoma.

The company's first well (operated by EOG Resources) was completed on May 18th 2013 in the Bakken Formation, and to May 2014 Shale Energy's share of production is over 11,000 barrels before royalties (see **Figure 2**), while the company's second well (operated by Sinclair Oil & Gas) was completed on 28th June 2014, and came in at over 1,500 bbl/d. A third Three Forks well was completed by SM Energy in July and is currently in production with initial flows over 250 bbl/d.

* Subject to third party operator risks including, legal, technical, operational and scheduling (timing) risks, and the financial ability of SEL to participate for its share of the costs.

Ardent Resources' Chairman Scott Brown commented: "The acquisition of Shale Energy provides an excellent opportunity for Ardent to gain exposure to one of the world's most sought after oil and gas provinces. The fact that Shale Energy is already in production generating small but meaningful income in North Dakota makes this a compelling transaction for our shareholders.

"Our immediate priority upon the completion of the transaction is to increase the number of barrels of oil being produced per day. We are confident that with the partnerships currently in place with established US Oil and Gas players EOG Resources, SM Energy and Sinclair Oil & Gas, there is a good foundation to build the company's production profile."

Shale Energy Director Richard Pritchard added: "This transaction will provide us with the ability to take full advantage of growth opportunities that exist across our portfolio of assets in the Bakken and Three Forks. We see significant upside in the near-term, and merger and acquisition opportunities will also allow us to further improve our reserve profile and valuation.

"Our non-operator model gives us the flexibility to selectively invest in quality near term production acreage, and to acquire small lease holdings as soon as they become available. Our key focus is to grow production through our existing portfolio of projects and acquisitions to take full advantage of the US shale revolution."

"Revenue currently being generated by Shale Energy, along with the line of credit in place with Bancfirst, provides us with the financial flexibility to rapidly grow production across the three Bakken-Three Forks projects. We are well positioned to take full advantage of the current phase of development in the Bakken and Three Forks."

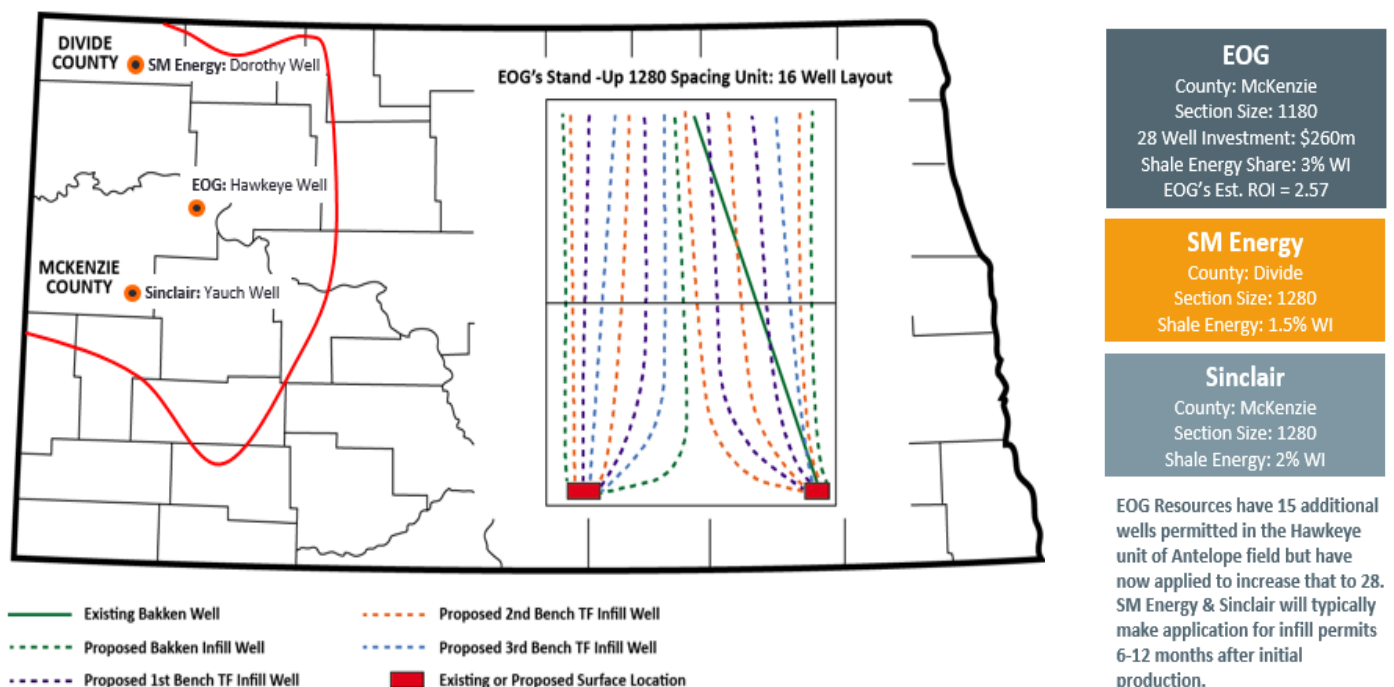


Figure 1 – Shale Energy's Acreage Positions

| Current Production of Hawkeye 003 #1 2413H | | | | |
|--|------------|------------|----------------------------|-----------------------------|
| | Gross | | Shale Energy's Gross Share | Net Revenue (after Royalty) |
| Production 2013-14 | Oil (bbl) | * Gas | Oil (bbl) | (USD) |
| May & June (29 days) | 38,669.64 | 7,319.00 | 1,160.09 | \$81,438.00 |
| July (31 days) | 49,417.45 | 69,907.00 | 1,482.52 | \$104,073.00 |
| August (31 Days) | 45,848.98 | 78,445.00 | 1,375.47 | \$96,558.00 |
| September (30 Days) | 43,950.00 | 76,231.00 | 1,318.50 | \$92,558.70 |
| October (31 Days) | 40,642.58 | 71,106.00 | 1,219.28 | \$85,593.27 |
| November (30 Days) | 32,041.97 | 59,316.00 | 961.26 | \$67,480.39 |
| December | 27,300.00 | 50,772.00 | 819.00 | \$57,493.80 |
| January(31days) | 24,436.00 | 51,217.00 | 733.08 | \$53,283.85 |
| February(21 days) | 16,165.00 | 37,623.00 | 484.95 | \$47,482.64 |
| March (0 days) | 0.00 | 0.00 | 0.00 | \$0.00 |
| April(24 days) | 24,017.00 | 37,403.00 | 931.71 | \$31,115.82 |
| May(31 days) | 31,057.00 | 38,433.00 | 720.51 | \$61,097.29 |
| Sum | 373,545.62 | 577,772.00 | 11,206.37 | \$778,174.76 |

*Gas Revenues began in April. Revenue shown net of Royalties, State Tax, and Transport Costs. ** Well Cost \$490,000

**(50% increase in well cost due to equipment failure)

Figure 2 – Production and Revenue from Shale Energy's First Well

Transaction Overview

Share Purchase Agreement

The Agreement is legally binding and subject to conditions precedent that include the following:

- Ardent shareholders approving:
 - the issue of securities to the shareholders of Shale Energy in consideration for all of the issued capital in Shale Energy;
 - a change in the nature and scale of the Company's activities; and
 - the consolidation of the issued capital of the Company.
- Ardent successfully completing a capital raising of \$2,500,000-\$3,500,000;
- Ardent and Shale Energy completing due diligence processes;
- there being no material adverse change in respect of Ardent and Shale Energy;
- Ardent and Shale Energy obtaining all third party consents, approvals or waivers to the transaction; and
- Ardent obtaining the conditional approval of ASX for re-instatement of its securities to quotation.

The Agreement also contains a number of standard terms and conditions, including representation and warranties from each party, considered standard for an agreement of this nature.

Existing shareholders will also receive options on the basis of a 1 option for every 2 shares held on the completion of the transaction. It will be a condition of the option the shareholder must also be a shareholder in the same proportion 90 days after completion to receive the full entitlement of the options. The options will have a 2 year term and an exercise price of 30 cents each (post-consolidation).

Change of Nature and Scale of Activities

The acquisition is deemed a significant change in the nature and scale of the Company's activities and will require shareholder approval under Chapter 11 of the ASX Listing Rules as well as requiring the Company to re-comply with Chapters 1 & 2 of the ASX Listing Rules. The Company will despatch

to shareholders a notice of meeting seeking the relevant approvals to undertake this process, with such notice of meeting to contain detailed information relating to the acquisition of Shale Energy.

Purchase Price

The purchase price for all the issued capital of Shale Energy is the aggregate of:

1. 208,000,000 (pre-consolidation shares) which shall be satisfied by the issue of Ardent ordinary shares to the current shareholders of Shale Energy;
2. issue of 37,000,000 pre-consolidation Ardent ordinary shares (First Earn-out Shares) if in excess of 3,000 barrels net to Ardent is produced over a period of 30 consecutive days within two years from the date of completion; and
3. issue of 37,000,000 pre-consolidation Ardent ordinary shares (Second Earn-out Shares) if in excess of 6,000 barrels net to Ardent is produced over a period of 30 consecutive days within two years from the date of completion.

Share Consolidation

As part of the transaction, and subject to the approval of shareholders, the Company will undertake a consolidation of its capital at a ratio of 11 to 1 to meet ASX Listing Rule requirement.

Capital Raising

As one of the conditions precedent to the completion of the Agreement, Ardent intends to raise minimum \$2,500,000 to maximum \$3,500,000 pursuant to a prospectus. The total number of new ordinary shares to be issued under the prospectus is between 12,500,000 and 17,500,000 shares. The new shares will be issued at \$0.20 each. Subscribers to the issue will receive one option for every two shares that subscribed. Each option entitles the holder to subscribe one ordinary shares of the Company at \$0.30 each exercisable within two years from the date of the issue.

Board Changes

The Directors of the Company recognise that to manage the oil and gas exploration and production activities, additional industry expertise is required. Following the completion of the transaction, the Company will see a change to the Board composition. Mr John Robson and Mr Lan Nguyen will step down from their positions and be replaced by the following:

Mr Richard Pritchard

Civil Engineer Graduate, 17 Years experience in Engineering Project Management, and Asset Management, 8 years in the finance industry. Mr. Pritchard has been involved with ASX listed Energy and Industrial companies as CEO, Chairman, and Director as well as successfully managing IPO and Reverse listings processes. Mr Pritchard founded Shale Energy in 2007 and has been actively involved in US Shale plays since 2008. Mr Pritchard is a member of the Society of Petroleum Engineers (International), and Engineers Australia.

Dr Richard Haren

Geologist and Geophysicist with PhD in the latter, over 30 years' experience in the resources industry. Dr. Haren has led some of the most challenging and profitable Gold, Copper, Diamond, and Natural Gas exploration studies in the World. Dr. Haren has been CEO, Chairman, and Director of several ASX listed companies and was General Manager of Planet Gas (ASX:PGS), a US focused CBM developer as well as Technical Director of Molopo Energy Limited (ASX:MPO).

Declan Pritchard

Geophysicist with over 30 years' experience in the oil and gas exploration industry. Has worked as a geophysicist in most of the world's major oil & gas provinces and has been involved in a number of significant discoveries. Mr. Pritchard has also been recognised for his development of Energy Storage Technologies by the British Institute of Electrical Engineers. Mr Pritchard has developed a number of patents relating to seismic studies and energy storage.

Indicative Capital Structure

The indicative capital structure of the Company following completion of the acquisition of Shale Energy and its re-instatement to trading on ASX is set out below (on a post consolidated basis).

| | Shares | Options | Earn-out shares |
|--|-------------------|------------------------|------------------------|
| Current issue capital (pre-consolidation) | 95,265,375 | - | - |
| Estimated issued capital following the proposed consolidation (11:1) | 8,660,489 | 4,330,244 | - |
| Proposed issue of securities to vendors of Shale Energy following the proposed consolidation (11:1) | 18,909,090 | 9,454,545 ¹ | 6,727,272 ² |
| Proposed issue pursuant to the proposed capital raising (maximum subscription) following the proposed consolidation (11:1) | 17,500,000 | 8,750,000 ³ | - |
| | | | |
| Total estimate on completion of the acquisition on a post consolidation basis | 45,069,579 | 22,534,789 | 6,727,272 |

Note:

- 1) – The options vest upon the holder still being a shareholder 90 days from the completion date and are exercisable at \$0.30 per share and expiry 2 years after the issue date.
- 2) – 3,363,636 post-consolidated shares (First Earn-out Shares) will be issue to the vendors of Shale Energy if in excess of 3,000 barrels net to Ardent is produced over a period of 30 consecutive days within two years from the date of completion; and 3,363,636 post-consolidated shares (Second Earn-out Shares) will be issue to the vendors of Shale Energy if in excess of 6,000 barrels net to Ardent is produced over a period of 30 consecutive day within two years from the date of completion.
- 3) - The options are exercisable at \$0.30 per share and within two years from date of issue.

Indicative Timetable

An indicative timetable for completion of the Acquisition, Consolidation and the Capital Raising is set out below:

| Event | Date |
|--|-------------------|
| Execution of Agreement | 12 August 2014 |
| Announcement of Acquisition | 12 August 2014 |
| Complete due diligence investigation | 24 September 2014 |
| Despatch notice of meeting seeking approval from shareholders | 1 October 2014 |
| Lodgement of Prospectus with ASIC | 3 October 2014 |
| Despatch of Prospectus | 17 October 2014 |
| Opening of offer under the Prospectus | 17 October 2014 |
| General meeting to approve the transactions and others | 3 November 2014 |
| Ex-date – Consolidation | 10 November 2014 |
| Closing of offer under the Prospectus | 17 November 2014 |
| Consolidation Record Date | 19 November 2014 |
| Despatch Date – Consolidation | 19 November 2014 |
| Completion of Acquisition and issue of Shares under the Prospectus | 21 November 2014 |

The above timetable is indicative only and subject to change. The directors of Ardent reserve the right to amend the timetable as the process moves towards completion.

Scott Brown

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