

**BRAINZ INSTRUMENTS LIMITED  
(TO BE RENAMED TANGO PETROLEUM LIMITED)  
ACN 116 829 675**

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**PROSPECTUS**

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For an offer of up to 10,000,000 Shares at an issue price of \$0.20 per Share, together with one free attaching Option for every Share subscribed for and issued, to raise up to \$2,000,000 (**Offer**).

This Offer is conditional upon Shareholders approving a change in nature and scale of activities and the issue of the Shares offered by this Prospectus at a general meeting scheduled to be held on 14 May 2010. Please refer to Section 5.2 for further details.

**This Prospectus is a compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.**

**IMPORTANT INFORMATION**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Securities offered by this Prospectus should be considered highly speculative.**

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## **CHANGE IN NATURE AND SCALE OF ACTIVITIES & RECOMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES**

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At the General Meeting the Company will be seeking Shareholder approval for a change in nature and scale of its activities. In the event Shareholder approval is obtained, ASX will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company will be suspended from Official Quotation from the time of the General Meeting and will not be reinstated until satisfaction of the conditions to the Offer and ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotation on the ASX. In the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotation on ASX then the Company will not proceed with the Offer and will repay all application monies received.

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### **IMPORTANT NOTICE**

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This Prospectus is dated 12 May 2010 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The expiry date of this Prospectus is at 5.00pm (WST) on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No Securities may be issued on the basis of this Prospectus after the Expiry Date.

Application for Official Quotation by ASX of the Securities offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

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

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

### **RISK FACTORS**

Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to Section 7 of the Prospectus.

The risk factors set out in Section 7 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative.

#### **WEB SITE – ELECTRONIC PROSPECTUS**

A copy of this Prospectus can be downloaded from the website of the Company at [www.brainzinstrumentsltd.com](http://www.brainzinstrumentsltd.com). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

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## 1. CORPORATE DIRECTORY

### Directors

Keith Goodall (Non-executive Chairman)  
Garry Ralston (Non-executive Director)  
Mathew Walker (Executive Director)

### Registered Office

Suite 9  
1200 Hay Street  
WEST PERTH WA 6005

### Company Secretary

James Robinson

Telephone: + 61 8 6460 4960  
Facsimile: +61 8 9324 3045

### Solicitors

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000

### Independent Geologist

Isis Petroleum Consultants Pty Ltd  
47 Colin Street  
WEST PERTH WA 6005

### Investigating Accountant

HLB Mann Judd  
Level 4  
130 Stirling Street  
PERTH WA 6000

### US Tenure Adviser

Karen Bryant Duncan, PLLC  
Attorney at Law  
54 Mill Point Place  
The Woodlands, TX 77380  
United States of America

### Auditor\*

HLB Mann Judd  
Level 4  
130 Stirling Street  
PERTH WA 6000

### Share Registry\*

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
ABBOTSFORD VIC 3067

\* These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus.

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## 2. CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors of Brainz Instruments Limited (to be renamed Tango Petroleum Limited) (**Company**), I am delighted to invite you to subscribe for up to 10,000,000 Shares at an issue price of \$0.20 per Share, together with one free attaching Option for every Share subscribed for and issued, to raise up to \$2,000,000.

This Offer is conditional upon Shareholders approving a change in nature and scale of activities and the issue of the Shares offered by this Prospectus at a general meeting scheduled to be held on 14 May 2010.

The Company has recently entered into a farmout agreement with Pass Petroleum LLC (a company registered in California) (**Pass Petroleum**) pursuant to which Pass Petroleum has granted to the Company the exclusive right to earn a 30% working interest in an oil and gas prospect located in Acadia Parish, Louisiana, United States of America (**Amazon Prospect**) and the option to earn a 30% working interest in another oil and gas prospect located in Acadia Parish, Louisiana, United States of America (**Thames Prospect**).

The Farmout Agreement is conditional upon the Company obtaining all necessary regulatory and shareholder approvals. Further details of the material terms and conditions of the Farmout Agreement are set out in Section 12.3(a) of this Prospectus and further details of the Amazon Prospect and Thames Prospect are set out in Sections 6.3 and 6.4 of this Prospectus respectively.

The Company intends to use the funds raised from the Offer primarily towards satisfaction of the Company's obligations under the Farmout Agreement.

The Board looks forward to welcoming you as a Shareholder.

Yours sincerely



**Keith Goodall**  
Chairman

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### **3. KEY RISK FACTORS**

Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

The Directors have identified the following key risks associated with the Company and its operations. For further information in relation to the risk factors of the Company please refer to Section 7 of the Prospectus.

The risk factors set out in Section 7 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative.

#### **3.1 Change in nature and scale of activities**

At the General Meeting the Company will be seeking Shareholder approval for a change in nature and scale of its activities. In the event Shareholder approval is obtained, ASX will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company will be suspended from Official Quotation from the time of the General Meeting and will not be reinstated until satisfaction of the conditions to the Offer and ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on the ASX. In the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Offer and will repay all application monies received.

#### **3.2 Single asset focus & requirement for additional capital**

The Company's sole asset, following Shareholders approving a change in nature and scale of activities, is its interest in the Amazon Prospect.

Following completion of drilling of the test well the Company may elect to participate in any completion attempt at the casing point election of the test well at the Amazon Prospect. In the event this election is made the Company will incur additional costs in proportion to its then working interest of 30%. The Company's share of these completion costs is estimated to be US\$468,397 (approximately \$516,025 as at 10 May 2010). The Board has not yet made this election and will consider the results of the drilling of the test well before making any further decision.

If between the minimum subscription and approximately \$1,160,000 is raised and the Company does elect to participate in any completion attempt of the test well, the Company will need to raise additional funds to pay for these additional costs. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company. If the Company is unable to contribute to its share of additional costs it will forfeit its interest in the Amazon Prospect.

The Company's interest in the Thames Prospect is presently only an exclusive option to participate on substantially the same terms as its participation in the Amazon Prospect (i.e. it will have the right to acquire a 30% working interest upon bearing 30% of the prospect fee and geological/geophysical costs, 50% of acreage, drilling and completion or plugging and abandonment costs on the test well and 30% of all subsequently incurred costs). The anticipated costs of acquiring an interest in the Thames Prospect are not yet known and the funds raised from the Offer will not be used for this purpose. Prior to making an election to exercise its option to acquire an interest in the Thames Prospect the Company will conduct due diligence to assess whether it is in the best interests of shareholders. If an election is made the Company will also require additional funds.

Further details of the material terms and conditions of the Farmout Agreement are set out in Section 12.3(a) of this Prospectus and further details of the Amazon Prospect and Thames Prospect are set out in Sections 6.3 and 6.4 of this Prospectus respectively.

### **3.3 Exploration success**

The prospects in which the Company has an interest are at various stages of exploration, and potential investors should understand that exploration and development are high-risk undertakings.

There can be no assurance that exploration of these prospects, or any other prospects that may be acquired in the future, will result in the discovery of a commercial oil and gas reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be economically exploited or will flow at commercial rates.

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

### **3.4 Contractual**

The Company is party to the Farmout Agreement as summarised in Section 12.3(a) of this Prospectus. The ability of the Company to achieve its objectives will depend on the performance by the other parties to this contract and other contracts the Company may enter into in the future. If a party defaults in the performance of its obligations it may be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

### **3.5 Investment speculative**

The above factors, those referred to in Section 7 of this Prospectus, and others not specifically referred to above or elsewhere in this Prospectus, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.



Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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## **4. INVESTMENT OVERVIEW**

### **4.1 Important notice**

This Section is not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

### **4.2 Indicative timetable\***

Lodgement of Prospectus with the ASIC	12 May 2010
General Meeting	3.00pm (WST) on 14 May 2010
Closing Date	5.00pm (WST) on 31 May 2010
Despatch of holding statements	4 June 2010
Expected date for re-quotation on ASX	7 June 2010

\* The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

### **4.3 Objectives**

The Company's main objectives in undertaking the Offer include:

- assist the Company to meet the requirements of ASX and re-comply with Chapters 1 and 2 of the ASX Listing Rules;
- raising funds to be applied in satisfaction of the terms and conditions of the Farmout Agreement; and
- to provide funds for general working capital and expenses of the Offer.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

### **4.4 Change in nature and scale of activities**

As outlined in more detail in Section 12.3(a) of this Prospectus, the Company has entered into the Farmout Agreement to acquire an interest in an oil and gas prospect with the option to acquire an interest in a second oil and gas prospect. The Farmout Agreement is conditional upon the Company obtaining all necessary regulatory and shareholder approvals.

At the General Meeting the Company will be seeking Shareholder approval for a change in nature and scale of its activities. In the event Shareholder approval is obtained, ASX will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company will be suspended from Official Quotation from the time of the General Meeting and will not be reinstated until satisfaction of the conditions to the Offer and ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on the ASX. In the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Offer and will repay all application monies received.

#### 4.5 Risk factors

Potential investors should consider be aware that subscribing for Securities the subject of this Prospectus involves a number of risks and an investment in the Company is highly speculative. Potential investors are urged to consider the risk factors of the Company set out in Section 7 of the Prospectus and consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

The risk factors set out in Section 7 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Securities. Accordingly, an investment in the Company should be considered highly speculative.

#### 4.6 Purpose of the Offer and use of proceeds

The purpose of the Offer is to position the Company to seek to achieve the objectives set out in Section 4.3 above.

The Company intends to combine funds raised from the Offer with its existing cash reserves and amounts to be raised pursuant to the Entitlement Issue and the Option Placement and to use the total funds as follows:

Description	\$ (minimum subscription)	\$ (full subscription)
Cash reserves as at 31 March 2010	2,250,000	2,250,000
Proceeds from Entitlement Issue (net of costs)	137,500	137,500
Proceeds from Option Placement	187,500	187,500
Proceeds from Offer	1,000,000	2,000,000
<b>Subtotal</b>	<b>3,574,500</b>	<b>4,574,500</b>
Expenses of the Offer <sup>1</sup>	170,000	225,000
Dry hole cost of test well at Amazon Prospect <sup>2,3</sup>	3,044,960	3,044,960
Working Capital	359,540	1,304,540
<b>Total</b>	<b>3,574,500</b>	<b>4,574,500</b>

<sup>1</sup> Refer to Section 12.7 of this Prospectus for further details.

<sup>2</sup> Refer to the Farmout Agreement summarised in Section 12.3(a) of this Prospectus for further information.

<sup>3</sup> An exchange rate of 0.9077 (\$:US\$) as at 10 May 2010 has been used to convert the amount referred to in the Farmout Agreement which is stated in US dollars.

The Company may elect to participate in any completion attempt at the casing point election of the test well at the Amazon Prospect. In the event this election is made the Company will incur additional costs in proportion to its then working

interest of 30%. The Company's share of these completion costs is estimated to be US\$468,397 (approximately \$516,025 as at 10 May 2010). The Board has not yet made this election and will consider the results of the drilling of the test well before making any further decision. If between the minimum subscription and approximately \$1,160,000 is raised, the Company will need to raise additional funds to pay for these additional costs.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

#### 4.7 Capital structure

The capital structure of the Company following completion of the Offer (assuming full subscription) is summarised below<sup>1</sup>:

##### Shares<sup>2</sup>

	<b>Number</b>
Shares currently on issue	75,000,000
Shares to be issued pursuant to the Offer	10,000,000
<b>Total Shares on completion of the Offer</b>	<b>85,000,000</b>

##### Options<sup>3</sup>

	<b>Number</b>
Options currently on issue (listed / exercise price 20 cents / expiry date 31 May 2011)	31,132,465
Options to be issued pursuant to the shortfall to the Entitlement Issue (listed / exercise price 20 cents / expiry date 31 May 2011)	6,367,535
Options to be issued pursuant to the Option Placement (listed / exercise price 20 cents / expiry date 31 May 2011)	37,500,000
Options to be issued pursuant to the Offer (listed / exercise price 20 cents / expiry date 31 May 2011)	10,000,000
<b>Total Options</b>	<b>85,000,000</b>

<sup>1</sup> Refer to the Investigating Accountant's Report set out in Section 10 of this Prospectus for further details.

<sup>2</sup> The rights attaching to the Shares are summarised in Section 12.1 of this Prospectus.

<sup>3</sup> The terms and conditions relating to the Options are summarised in Section 12.2 of this Prospectus.

#### **4.8 Restricted securities**

Subject to the Company recomplying with Chapters 1 and 2 of the ASX Listing Rules, certain Shares on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow.

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## **5. DETAILS OF THE OFFER**

### **5.1 The Offer**

Pursuant to the Offer, the Company invites applications for up to 10,000,000 Shares at an issue price of \$0.20 per Share, together with one free attaching Option for every Share subscribed for and issued, to raise up to \$2,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Please refer to Section 12.1 for further information regarding the rights and liabilities attaching to the Shares.

The Options offered under this Prospectus will be issued on the terms and conditions set out in Section 12.2 of this Prospectus.

### **5.2 Conditional Offer**

The Offer is conditional upon Shareholders approving a change in nature and scale of activities and the issue of the Shares offered under this Prospectus at the General Meeting.

In the event these Shareholder approvals are not obtained the Company will refund all application monies as soon as is practicable.

The business of the General Meeting will consider, other than the change in nature and scale of activities and the Offer, resolutions in relation to:

- (a) the Option Placement; and
- (b) a change of name for the Company to Tango Petroleum Limited.

### **5.3 Reconciliation with Chapters 1 and 2 of the ASX Listing Rules**

At the General Meeting the Company will be seeking Shareholder approval for a change in nature and scale of its activities. In the event Shareholder approval is obtained, ASX will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company will be suspended from Official Quotation from the time of the General Meeting and will not be reinstated until satisfaction of the conditions to the Offer and ASX approving the Company's reconciliation with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on the ASX. In the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Offer and will repay all application monies received.

### **5.4 Minimum subscription**

The minimum subscription to be raised pursuant to the Offer is \$1,000,000.

If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

## **5.5 Applications**

Applications for Shares under the Offer must be made using the Application Form.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares and payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares incorporate an application for free attaching Options on the basis of one Option for every one Share subscribed for and issued.

Completed Application Forms and accompanying cheques must be mailed to:

Brainz Instruments Limited  
PO Box 281  
West Perth Business Centre  
WEST PERTH WA 6872

Cheques should be made payable to "Brainz Instruments Limited – Share Offer Account" and crossed "Not Negotiable". Completed Application Forms must reach one of the above addresses by no later than the Closing Date.

The Company reserves the right to close the Offer early.

## **5.6 ASX listing**

The Company will be suspended from Official Quotation from the time of the General Meeting and will not be reinstated until satisfaction of the conditions to the Offer and ASX approving the Company's recompliance with Chapters 1 and 2 of the ASX Listing Rules.

Application for Official Quotation by ASX of the Securities offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

## **5.7 Allotment**

The Directors will determine the allottees of all the Securities in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Securities than the number applied for.

Subject to satisfaction of the conditions to the Offer and ASX approving the Company's recompliance with Chapters 1 and 2 of the ASX Listing Rules, Securities issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. Where the number of Securities issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

#### **5.8 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

#### **5.9 Oversubscriptions**

No oversubscriptions will be accepted by the Company.

#### **5.10 Not underwritten**

The Offer is not underwritten.

#### **5.11 Commissions payable**

The Company reserves the right to pay a commission of 5% (exclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian financial services licensee (including the Sponsoring Broker) in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

#### **5.12 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship**

The Company will not be issuing share and option certificates. The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.



Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

### **5.13 Privacy statement**

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

### **5.14 Queries**

Any questions concerning the Offer should be directed to Mr James Robinson, Company Secretary, on +61 8 6460 4960.

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## 6. COMPANY OVERVIEW

### 6.1 Background

The Company was registered in New Zealand on 30 August 1990 and subsequently registered in Australia as a foreign company on 24 October 2005. On 12 December 2005 the Company was admitted to the official list of ASX. Most recently the Company transferred its registration to Australia and on 22 March 2010 it was registered as an Australian company under the Corporations Act.

Until November 2009, the Company's primary focus was the medical technology business. Following divestment of its main undertaking the Company announced to ASX on 24 November 2009, the Board resolved to implement a change to the Company's strategy. Under previous management, the Company had advised that it was considering winding up the Company and returning capital to Shareholders. The newly appointed Board considered the merits of this strategy and resolved not to pursue it. Under the revised strategy, the Board resolved to explore new business opportunities and seek to remain as an ASX listed entity.

As a consequence of the Company's revised strategy, the existing Board has since decided to focus on oil and gas exploration activities.

On 26 March 2010, the Company announced that it had entered into a farmout agreement with Pass Petroleum LLC (a company registered in California) (**Pass Petroleum**) pursuant to which Pass Petroleum granted to the Company the exclusive right to earn a 30% working interest in the Amazon Prospect located in Acadia Parish, Louisiana, United States of America (**Amazon Prospect**) and the option to earn a 30% working interest in another oil and gas prospect located in Acadia Parish, Louisiana, United States of America (**Thames Prospect**).

The Farmout Agreement is conditional upon the Company obtaining all necessary regulatory and shareholder approvals. Further details of the material terms and conditions of the Farmout Agreement are set out in Section 12.3(a) of this Prospectus.

At the General Meeting the Company will be seeking Shareholder approval for a change in nature and scale of its activities. In the event Shareholder approval is obtained, ASX will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company will be suspended from Official Quotation from the time of the General Meeting and will not be reinstated until satisfaction of the conditions to the Offer and ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on the ASX. In the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Offer and will repay all application monies received.

The Company intends to use the funds raised from the Offer primarily towards satisfaction of the Company's obligations under the Farmout Agreement.

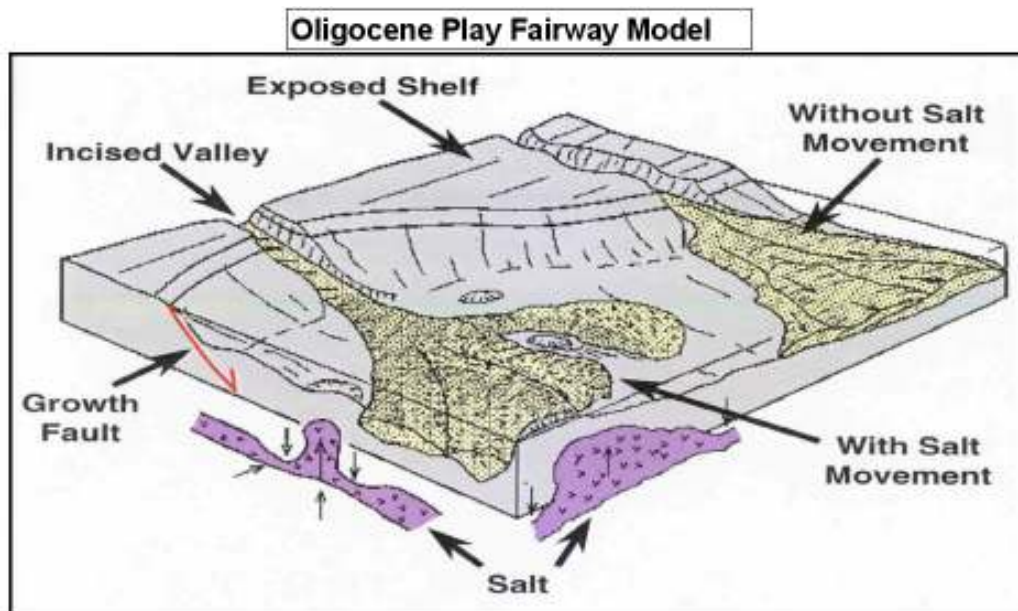
The Amazon Prospect and Thames Prospect are discussed in more detail below and in the Independent Geologist's Report contained in Section 9 of this Prospectus.

## 6.2 Regional Geology of the Amazon Prospect and Thames Prospect

The Amazon Prospect and Thames Prospect are located in the southern onshore part of Louisiana, 63 km from the Gulf Coast with a Tertiary sedimentary section that is greater than 7 km thick and extends over an area of greater than 600,000 sq km.

In the onshore part of the basin fluvial to shallow marine sedimentation dominate the Early Oligocene to Late Miocene section. The Oligocene aged Frio Formation and the Miocene age sandstones are prolific gas producing reservoirs in south Louisiana.

Growth faulting and salt tectonics have combined to create thick deposits of Early Oligocene to Late Miocene age sandstone reservoirs throughout the onshore region and structural traps to accommodate significant hydrocarbon accumulations.



Oligocene Play Fairway Model

Onshore south Louisiana contains an active, proven petroleum system involving marine source rocks and associated Tertiary clastic reservoirs. The proven hydrocarbon system extends right across the onshore state of Texas and into the offshore Gulf of Mexico.

Oligocene age sandstones of the Upper Frio Formation form the primary reservoir target in the Amazon Prospect and Thames Prospect. The sands were deposited in a fluvial to shallow marine environment and they form the primary reservoir for many of the hydrocarbon fields in the area.

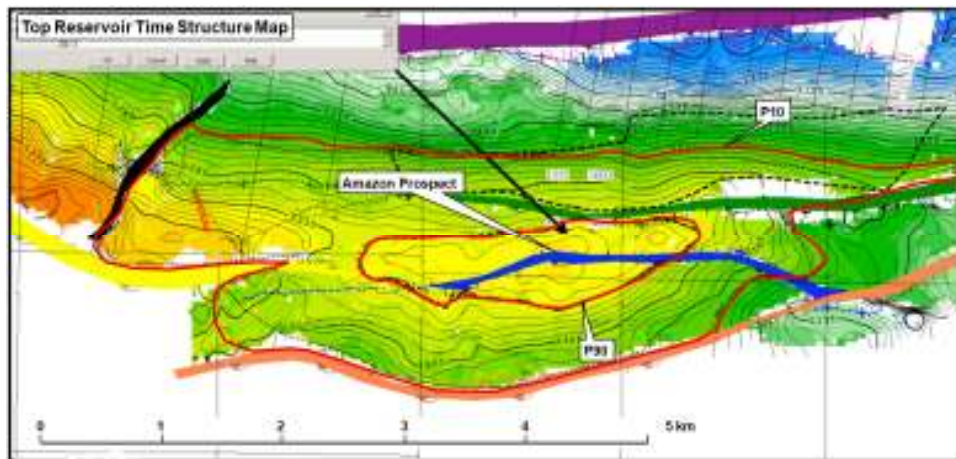
Oligocene and Early Miocene shales of the Upper Frio and Anahuac formations form proven lateral and top seals for the primary reservoir targets. Many of the existing fields are controlled by faults and they therefore have demonstrated the effectiveness of the regional seals. A critical risk for the fault traps is fault

reactivation which may cause breaching of the trap after it has been charged with gas. It should be noted that many of the gas fields are tilted fault blocks that have undergone fault reactivation but have still retained effective fault seal.

A wide range of structural traps and structural / stratigraphic traps exist throughout the region due to the tectonic history of the basin. The majority of fields in the area are either salt induced structures or fault dependent anticlines. The two prospects fall into the later trap type. Regional mapping at the Camerina A Horizon of the Upper Frio Formation shows that the prospects are on trend and have a similar structural trapping style to the adjacent fields.

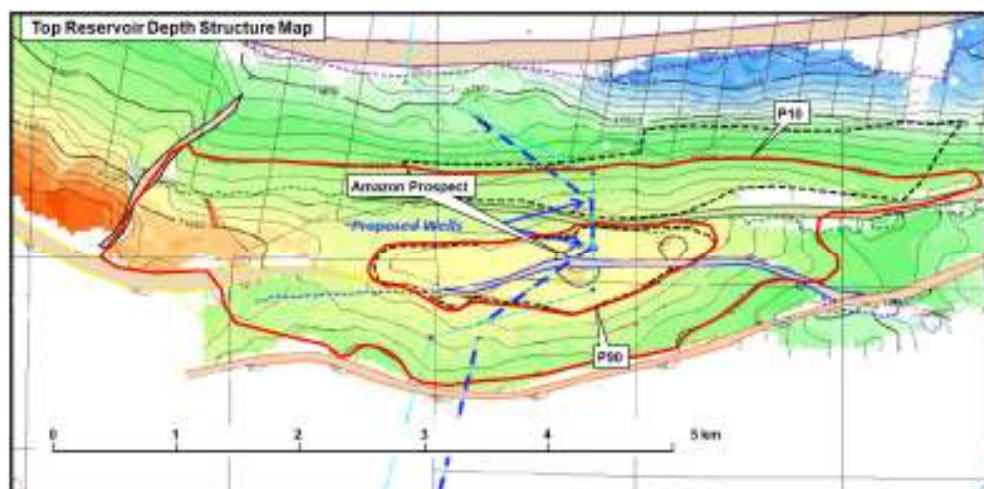
### 6.3 Amazon Prospect

The Amazon Prospect is a fault dependent anticline with the major faults located down flank from an anticlinal crest with minor faulting. The mapping at the Top Reservoir Horizon shows time and depth closure. It is 12.4 sq km in area and has 120m of relief.



Amazon Prospect Time Structure Map

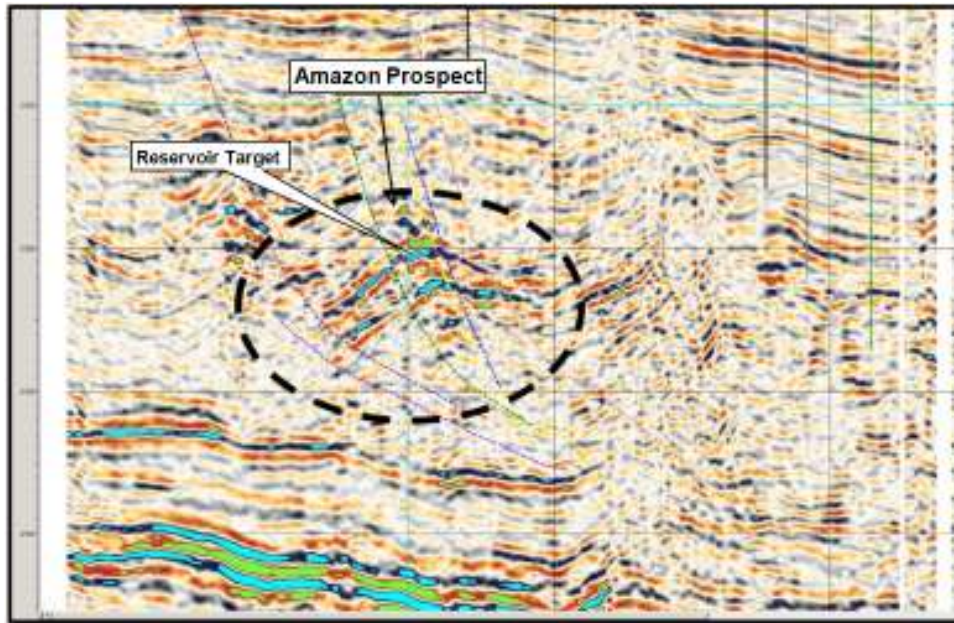
Depth conversion of the time structure map was completed using a constant Average Velocity of 2,517 m/sec, which is consistent with regional velocity control.



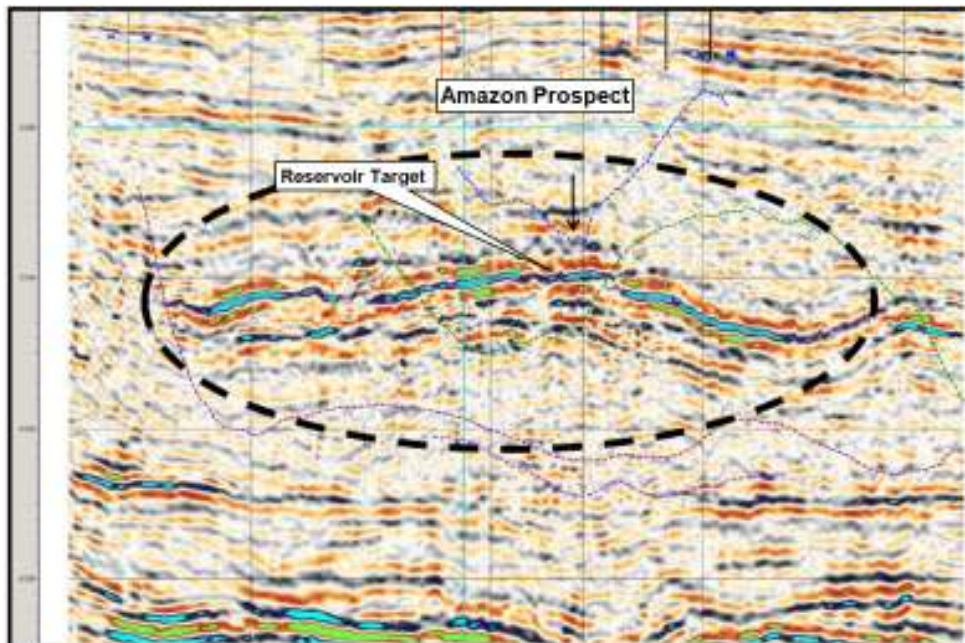
### Amazon Prospect Depth Structure Map

The primary reservoir for the Amazon Prospect is the Oligocene Sandstone that is currently producing from the adjacent fields. Secondary reservoirs are likely to occur in the Camerina Sands as seen in another adjacent field.

The 3D seismic data over the Amazon Prospect shows high amplitudes throughout the reservoir section. The amplitude anomaly may represent good reservoir development and possibly the presence of hydrocarbons.



Amazon Prospect 3D Seismic Dip Line

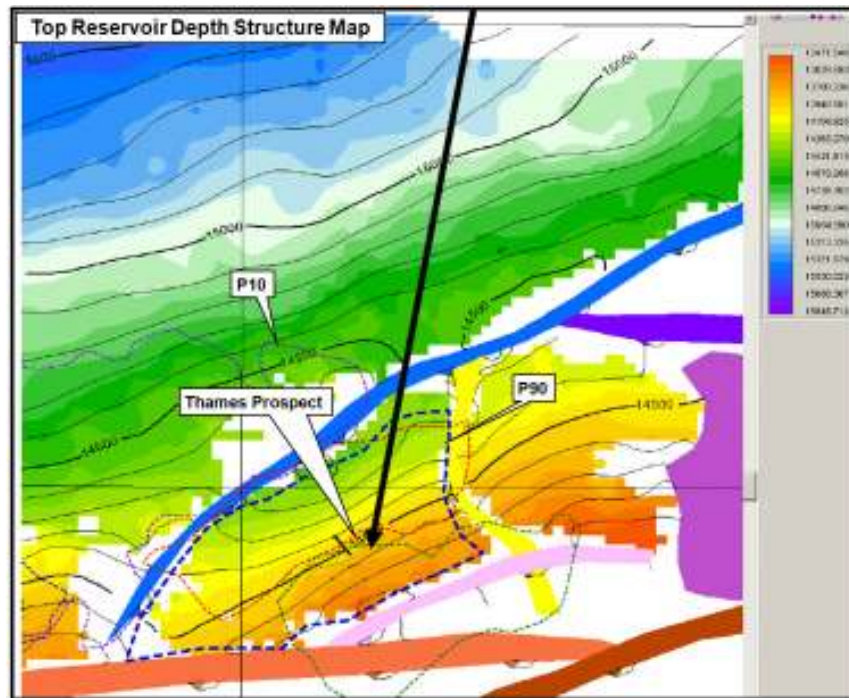


Amazon Prospect 3D Seismic Strike Line

## 6.4 Thames Prospect

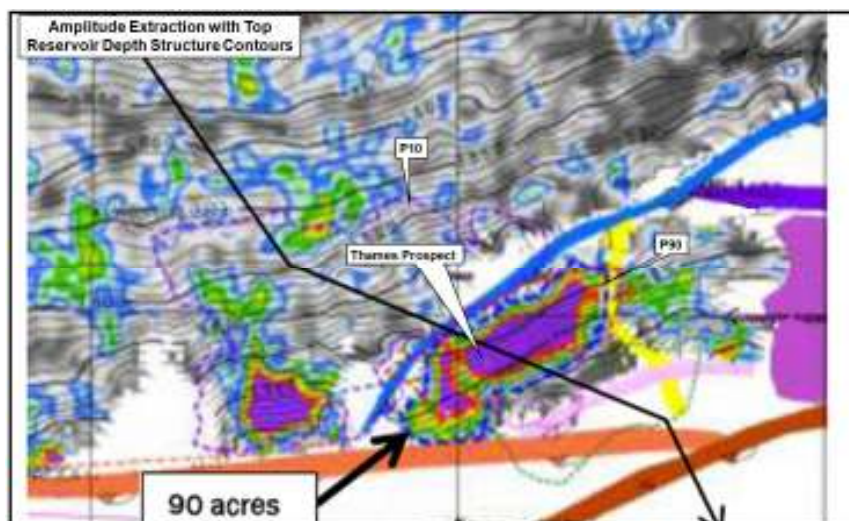
The Thames Prospect is also located in the southern onshore part of Louisiana just south of the Amazon Prospect.

The Thames Prospect is a fault dependent anticline with the major faults located at the crest of the structure. It is 1.21 sq km in area and has 335m of relief.



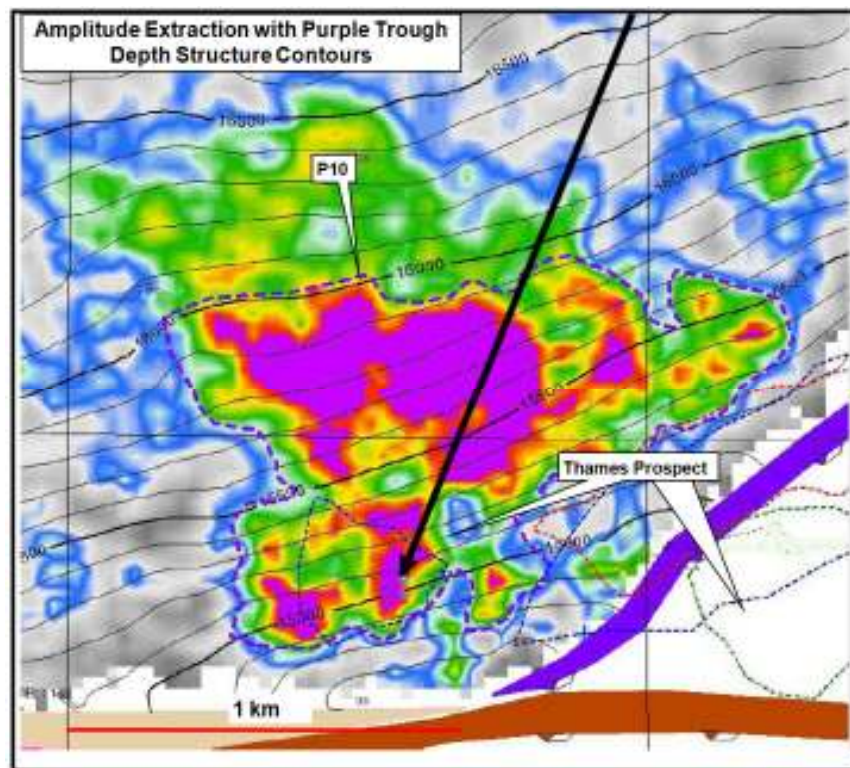
Thames Prospect – Top Reservoir Depth Structure Map

Amplitude extraction at the Top Reservoir Horizon shows a high amplitude anomaly at the crest of the Thames Prospect.



Thames Prospect – Amplitude extraction with Top Reservoir Depth Contours

The determination of the P10 area for the Thames Prospect was calculated from the Amplitude Extraction Map of the Purple Horizon which shows high amplitude over the flank of the Thames Prospect.



**Thames Prospect – Amplitude extraction with Top Reservoir Depth Contours**

The seismic calibration for the interpretation over the Thames Prospect is provided by a tie to an unnamed adjacent well.

The primary reservoir for the Thames Prospect is the Oligocene Sandstone that is currently producing from adjacent fields. Secondary reservoirs are likely to occur in the Camerina Sands as seen in another adjacent field.

The 3D seismic data over the Thames Prospect shows high amplitude throughout the reservoir section. The amplitude anomaly may represent good reservoir development and possibly the presence of hydrocarbons

---

## **7. RISK FACTORS**

### **7.1 Introduction**

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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

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

### **7.2 Change in nature and scale of activities**

At the General Meeting the Company will be seeking Shareholder approval for a change in nature and scale of its activities. In the event Shareholder approval is obtained, ASX will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company will be suspended from Official Quotation from the time of the General Meeting and will not be reinstated until satisfaction of the conditions to the Offer and ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on the ASX. In the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Offer and will repay all application monies received.

### **7.3 Risks specific to the Company**

#### **(a) Single asset focus & requirement for additional capital**

The Company's sole asset, following Shareholders approving a change in nature and scale of activities, is its interest in the Amazon Prospect.

Following completion of drilling of the test well the Company may elect to participate in any completion attempt at the casing point election of the test well at the Amazon Prospect. In the event this election is made the Company will incur additional costs in proportion to its then working interest of 30%. The Company's share of these completion costs is estimated to be US\$468,397 (approximately \$516,025 as at 10 May 2010). The Board has not yet made this election and will consider the results of the drilling of the test well before making any further decision.

If between the minimum subscription and approximately \$1,160,000 is raised and the Company does elect to participate in any completion attempt of the test well, the Company will need to raise additional funds



to pay for these additional costs. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company. If the Company is unable to contribute to its share of additional costs it will forfeit its interest in the Amazon Prospect.

The Company's interest in the Thames Prospect is presently only an exclusive option to participate on substantially the same terms as its participation in the Amazon Prospect (i.e. it will have the right to acquire a 30% working interest upon bearing 30% of the prospect fee and geological/geophysical costs, 50% of acreage, drilling and completion or plugging and abandonment costs on the test well and 30% of all subsequently incurred costs). The anticipated costs of acquiring an interest in the Thames Prospect are not yet known and the funds raised from the Offer will not be used for this purpose. Prior to making an election to exercise its option to acquire an interest in the Thames Prospect the Company will conduct due diligence to assess whether it is in the best interests of shareholders. If an election is made the Company will also require additional funds.

Further details of the material terms and conditions of the Farmout Agreement are set out in Section 12.3(a) of this Prospectus and further details of the Amazon Prospect and Thames Prospect are set out in Sections 6.3 and 6.4 of this Prospectus respectively.

(b) **Exploration**

The prospects in which the Company has an interest are at various stages of exploration, and potential investors should understand that exploration and development are high-risk undertakings.

There can be no assurance that exploration of these prospects, or any other prospects that may be acquired in the future, will result in the discovery of a commercial oil and gas reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be economically exploited or will flow at commercial rates.

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

(c) **Operating**

The operations of the Company may be affected by various factors, including failure to locate or identify oil and gas reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial

and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or production of its prospect interests.

(d) **Oil and gas reserves and commercial flow**

Oil and gas reserves are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may change significantly when new information or techniques becomes available. In addition, by their nature, oil and gas reserves are imprecise and depend to some extent on interpretations which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercial flow plans which may, in turn, either benefit or adversely affect the Company's operations.

(e) **Oil and gas price volatility and exchange rate**

If the Company achieves success leading to oil and gas production, the revenue it will derive through the sale of oil and gas exposes the potential income of the Company to oil and gas price and exchange rate risks. Oil and gas prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations, technological advancements, forward selling activities and other macro-economic factors.

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

(f) **Environmental**

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

(g) **Sovereign**

The Company's projects outside Australia are subject to the risks associated in operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting

foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Any future material adverse changes in government policies or legislation in foreign jurisdictions in which the Company has projects that affect foreign ownership, exploration, development or activities of companies involved in oil and gas exploration and production, may affect the viability and profitability of the Company.

(h) **Contractual**

The Company is party to the Farmout Agreement as summarised in Section 12.3(a) of this Prospectus. The ability of the Company to achieve its objectives will depend on the performance by the other parties to this contract and other contracts the Company may enter into in the future. If a party defaults in the performance of its obligations it may be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

**7.4 General risks**

(a) **Economic**

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

(b) **Market conditions**

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

- general economic outlook;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

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

(c) **Dividends**

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

(d) **Taxation**

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

(e) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(f) **Reliance on key personnel**

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

(g) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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## **8. BOARD & MANAGEMENT**

### **8.1 Directors**

#### **Keith Goodall Non-executive Chairman**

Mr Goodall has over 30 years experience in the chartered accounting profession in both New Zealand and the United Kingdom. A large part of his professional work is involved in providing advice in mergers and acquisitions, business sales and purchases, valuing businesses and shares in companies, undertaking forensic accounting assignments and providing advisory services with respect to corporate structuring and financing.

Mr Goodall established Keith Goodall and Associates in 1989. Prior to this he was a partner in the national Chartered Accounting firm Lawrence Andersen Buddle (at that time the Arthur Andersen associating firm in New Zealand and one of the major eight international accounting and consulting firms).

Mr Goodall is currently chairman of several major private company groups, deputy chairman of a substantial charitable trust involved in education services in New Zealand and internationally and a non-executive director of a significant telecommunications company. He has previously sat on the boards of public companies both in New Zealand and Australia and also held an appointment as a Government appointee to a substantial state owned business. He was deputy chairman of Perth based, ASX listed company iiNet Limited for three years until late 2006.

Mr Goodall has regularly given evidence as an expert in Family Court and High Court proceedings as well as in arbitrations and mediations since 1984.

#### **Garry Ralston Non-executive Director**

Mr Ralston has over 35 years experience in the banking and finance sectors.

Mr Ralston was co-founder and, until recently a director of Finance Systems and Technology Pty Ltd, one of Australia's largest mortgage aggregators. He is also a director and co-founder of Select Mortgage Services Pty Ltd which is one of the leasing mortgage brokers.

Mr Ralston currently serves as non-executive chairman of Augustus Minerals Limited.

#### **Mathew Walker Executive Director**

Mr Walker has extensive experience in the provision of corporate advice and in public company management. Specialising in the mining sector, Mr Walker has served as executive chairman or managing director for public companies with mining interests in North America, South America, Africa, Asia and Australia. Currently he serves as managing director of Augustus Minerals Limited and non-executive chairman of Pilbara Minerals Limited. He is a director of boutique investment banking and corporate advisory firm Alto Capital, and is a member of the Australian Institute of Company Directors. He holds a Bachelor of Business from the University of Technology, Sydney.

## 8.2 Management and Consultants

The Company is aware of the need to have sufficient management to properly supervise the exploration and (if successful) for the development of the projects in which the Company has an interest. As the Company's projects become more involved, the Board will continually monitor the management roles in the Company and look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's projects.

## 8.3 Corporate Governance

The Company's main corporate governance policies and practices are outlined below:

### ***Board of directors***

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

### ***Composition of the Board***

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

### ***Independent professional advice***

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### ***Remuneration arrangements***

The total maximum remuneration of Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

In addition, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

### ***External audit***

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

### ***Audit committee***

The Company will not have a separate constituted audit committee.

### ***Identification and management of risk***

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

### ***Ethical standards***

The Board is committed to the establishment and maintenance of appropriate ethical standards.



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**9. INDEPENDENT GEOLOGIST'S REPORT**



# **Independent Geologist's Report**

## **BrainZ Instruments Limited Assets**

**Louisiana  
USA**

**Prepared for**  
**BrainZ Instruments Limited**

**April 2010**

## **Declaration**

*BrainZ Instruments Limited (“BrainZ”) commissioned Isis Petroleum Consultants Pty Ltd (“Isis”) to prepare an Independent Geologist’s Report on the petroleum exploration assets currently being acquired by BrainZ.*

*This report has been completed according to the requirements of the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists (SPE / WPC / AAPG) guidelines and standards as published in March 2007 and the guidelines from the Valmin Code*

*The evaluation of petroleum assets is subject to uncertainty because it involves judgments on many parameters that cannot be precisely assessed and which may change as new information becomes available.*

*The statements and opinions attributed to Isis are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, Isis has considered and relied upon data and information provided by BrainZ. Consequently Isis and its servants do not accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters that a more extensive examination may disclose.*

*Neither Isis nor its subcontractors have any pecuniary interest or any other interest in BrainZ, or the assets evaluated other than for professional fees received for carrying out this project.*

*Isis Petroleum Consultants Pty Ltd  
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West Perth  
Western Australia 6005  
Australia*

*Tel: +61 8 9226 4610  
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Email: [isis@isispetroleum.com.au](mailto:isis@isispetroleum.com.au)*

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## 1.0 EXECUTIVE SUMMARY

BrainZ Instruments Limited (“BrainZ”) commissioned Isis Petroleum Consultants Pty Ltd (“Isis”) to prepare an Independent Geologist’s Report on the petroleum exploration assets of BrainZ. BrainZ has secured the right to participate in the drilling of a well on the gas and condensate Amazon Prospect and they have also secured the option to participate in the drilling of a well on the Thames Prospect. Isis has prepared an Independent Geologist’s Report that details the analysis, findings and conclusions of the evaluation. This report has been completed according to the requirements of the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists (SPE / WPC / AAPG) guidelines and standards as published in March 2007 and the guidelines from the Valmin Code.

The prospects are currently held by Caza Oil and Gas Inc (“Caza”) who are farming out to Pass Petroleum LLC (“Pass”) who are in turn farming part of their interest out to BrainZ

Under the terms of the Farm In Agreement, BrainZ has exclusive right to earn up to 30% working interest in the south Louisiana, Amazon Prospect by the payment of a prospective fee of US\$197,250, representing 18.75% of all acreage, geophysical and geological costs incurred in connection with the Amazon Prospect. BrainZ also has to pay for 50% of the cost of the exploration well which is budgeted on a dry hole cost basis of US\$2.76 million net to BrainZ. In the event of a commercial discovery, BrainZ will be required to pay its share of the completion costs of the well which are estimated to be US\$470,000.

BrainZ has granted to Pass an option to acquire a 2.5% working interest back from BrainZ at the casing point election above the primary objective of the well which would result in BrainZ receiving a payment from Pass of approximately US\$450,000.

BrainZ shall also have the right, but not the obligation, to participate in the south Louisiana, Thames Prospect which is located just south of the Amazon Prospect.

The evaluation of the two prospects was conducted in the context of BrainZ’s significant change in nature from medical instrumentation to oil and gas exploration and accordingly it’s need to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The scope of this report is an Independent Geologist’s Assessment of the Amazon and Thames prospects that are located onshore in Louisiana, USA

The data and information used in the preparation of this report were provided by BrainZ and supplemented by public domain information. Isis has relied upon the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied by BrainZ. BrainZ was unable to make available the 3D seismic data acquired in 1998 over the two prospects and certain well data. This assessment therefore relies entirely on structural mapping provided by BrainZ. Although Isis has made consistency checks where possible, this report needs to be read in the context of these factors.

The primary objective of the review was to form an independent geologist’s opinion on the hydrocarbon potential of the prospects, the volumes calculated for the structures and the geological risk associated with each prospect.

The two prospects are located in Louisiana which contains a world class proven hydrocarbon system with oil, condensate and gas production from proven commercial onshore fields ranging from giant oil and gas fields to commercial 50 Bcf gas fields.

Isis has reviewed the 3D seismic interpretation from several seismic lines and the Time Structure and Depth Structure Mapping of the Top Reservoir Horizon over the Amazon and Thames prospects.

Isis has estimated the following unrisks mean prospective recoverable resources and chance of geological success (POS) for the Amazon and Thames prospects (Table 1).

<b>Prospect</b>	<b>Mean GIIP (Bcf)</b>	<b>POS</b>	<b>Mean Unrisks Prospective Resource (Bcf)</b>	<b>Mean Unrisks Prospective Resource (MMbbl)</b>
<b>Amazon Prospect</b>	563	35%	375	38
<b>Thames Prospect</b>	84	35%	57	6

**Table 1: Prospect Volumetric and Risking Summary**

Drilling of the Amazon Prospect is expected to commence in mid-August 2010.

## 2.0 INTRODUCTION

The Amazon and Thames prospects are located in south Louisiana, USA, (Figure 1).

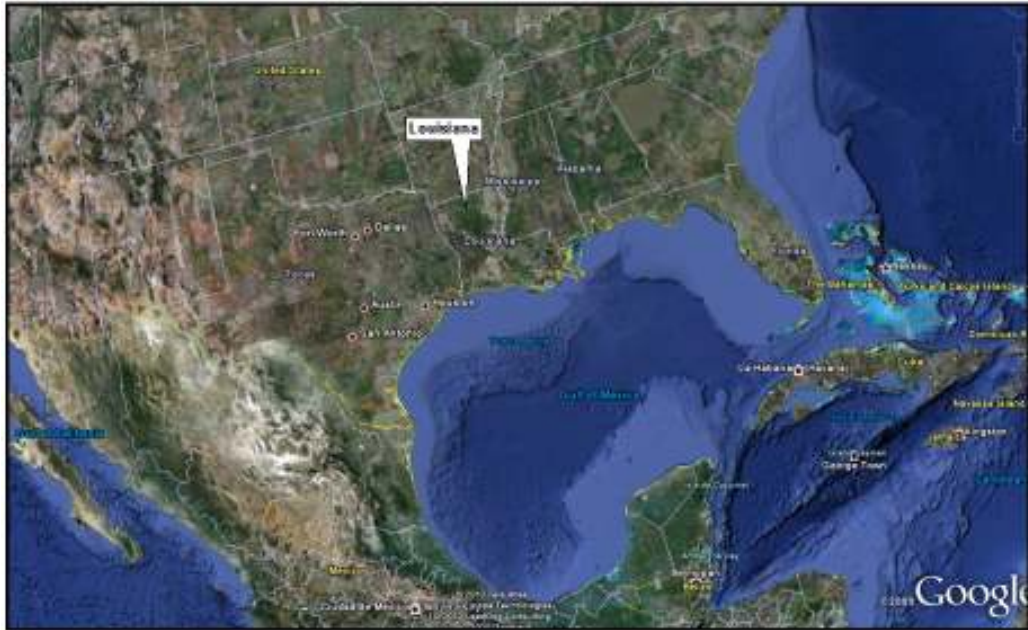


Figure 1: Location Map

The leases over the Amazon and Thames prospects cover areas of approximately 20 sq km and approximately 24 sq km respectively.

The prospects are currently held by Caza who are farming out to Pass and they are in turn farming part of their interest out to BrainZ.

Under the terms of the Farm In Agreement, BrainZ has exclusive right to earn up to 30% working interest in the south Louisiana, Amazon Prospect by the payment of a prospective fee of US\$197,250, representing 18.75% of all acreage, geophysical and geological costs incurred in connection with the Amazon Prospect. BrainZ also has to pay for 50% of the cost of the exploration well which is budgeted on a dry hole cost basis of US\$2.76 million net to BrainZ. In the event of a commercial discovery, BrainZ will be required to pay its share of the completion costs of the well which are estimated to be US\$470,000.

BrainZ has granted to Pass an option to acquire a 2.5% working interest back from BrainZ at the casing point election above the primary objective of the well, which would result in BrainZ receiving a payment from Pass of approximately US\$450,000.

BrainZ shall also have the right, but not the obligation, to participate in the south Louisiana, Thames Prospect which is located just south of the Amazon Prospect.

Previous petroleum exploration in the area has resulted in an intensive drilling and seismic activity with hundreds of exploration and development wells and many vintages of both 2D and 3D seismic being acquired. The exploration success in the



area for finding hydrocarbons has been high with a number of very large gas / condensate fields and a wide range of oil fields being discovered.

The data and information used in the preparation of this report were provided by BrainZ and supplemented by public domain information. Isis has relied upon the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied by BrainZ. BrainZ was unable to make available the 1998 3D seismic data over the two prospects and certain well data. This assessment therefore relies entirely on structural mapping provided by BrainZ. A site or field visit was not carried out by Isis due to the time frame available to complete the report.

Well results, adjacent field details and seismic data have been used by Caza to assess the hydrocarbon potential of the prospects. The Isis evaluation concluded that in the event of success, the most likely hydrocarbon discoveries will be gas / condensate rather than oil. The prospects are located nearby to existing producing gas / condensate fields and an extensive infrastructure of pipelines is already in place to take produced oil and or gas to market.

The Amazon and Thames prospects contain prospective resource potential based upon the mapping to date. The probabilistic prospective gas / condensate resources for each prospect have been calculated, together with the associated geological risk factor / chance of success (POS).

Isis has carried out its assessment of the prospective resources for the prospects in accordance with the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists (SPE / WPC / AAPG) guidelines and standards as published in March 2007.

## **3.0 TECHNICAL EVALUATION**

### **3.1 Introduction**

The data and information used in the preparation of this report were provided by BrainZ and supplemented by public domain information. Isis has relied upon the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied by BrainZ.

BrainZ was unable to make available the 3D seismic data acquired in 1998 over the two prospects and certain well data. This assessment therefore relies entirely on structural mapping provided by BrainZ.

### **3.2 Database**

The existing well data in the Amazon and Thames prospects is numerous but limited to shallow targets with no well in the prospect areas intersecting the deeper Oligocene Sandstone reservoirs within the Oligocene Frio Formation.

Data from a 1998 3D seismic survey was used for the seismic interpretation and prospect mapping. Isis reviewed a strike line and a dip line extracted from the 3D data set, the prospect mapping at the top reservoir horizon and an intra reservoir horizon.

### 3.3 Regional Geological Setting and Chronostratigraphy

The Amazon and Thames prospects are located in the southern onshore part of Louisiana, 63 km from the Gulf Coast with a Tertiary sedimentary section that is greater than 7 km thick and extends over an area of greater than 600,000 sq km (Figure 2).

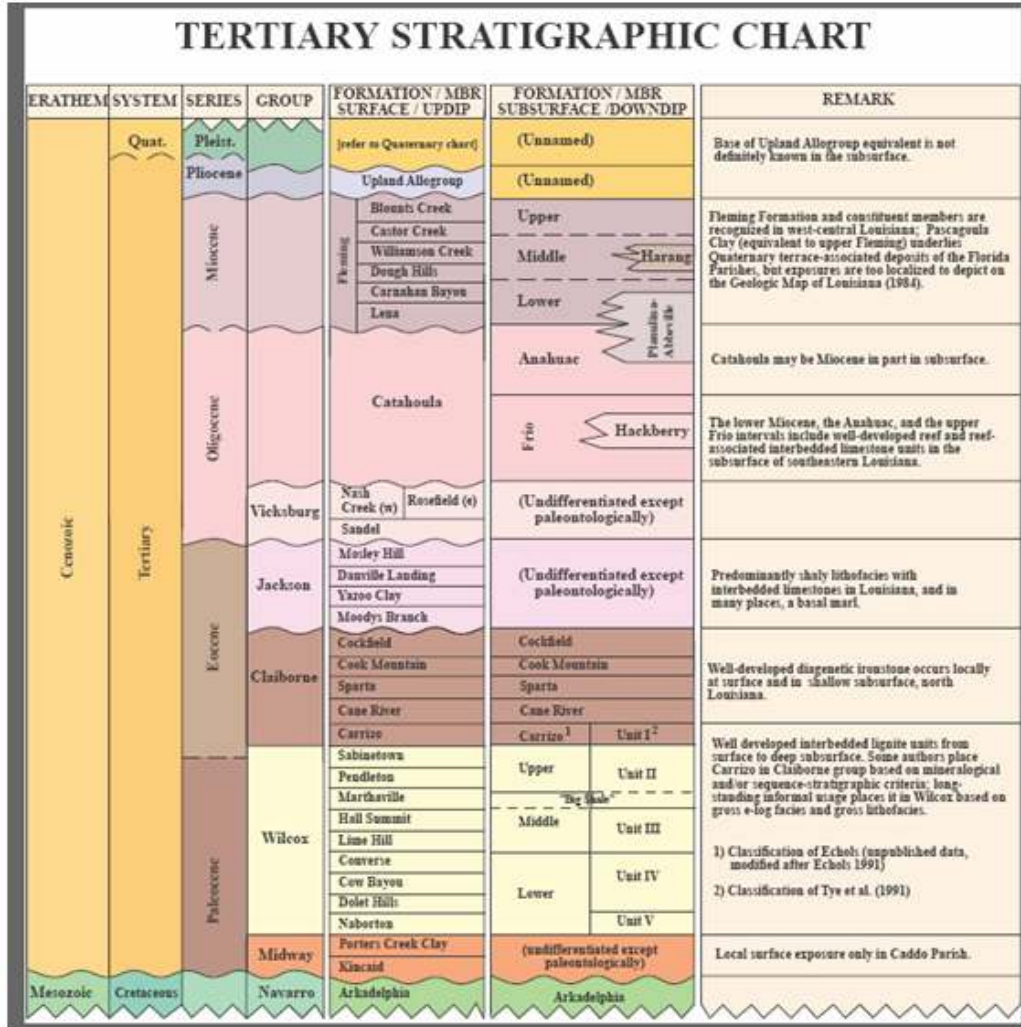


Figure 2: Tertiary Stratigraphic Chart

In the onshore part of the basin fluvial to shallow marine sedimentation dominate the Early Oligocene to Late Miocene section. The Oligocene aged Frio Formation and the Miocene age sandstones are prolific gas producing reservoirs in south Louisiana.

Growth faulting and salt tectonics have combined to create thick deposits of Early Oligocene to Late Miocene age sandstone reservoirs throughout the onshore region and structural traps to accommodate significant hydrocarbon accumulations (Figure 3).

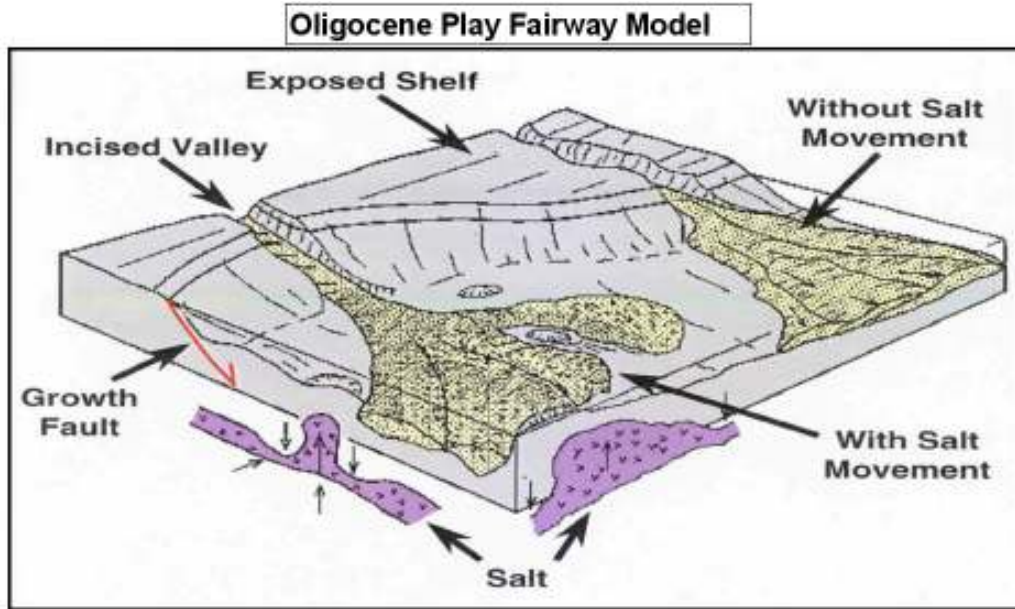


Figure 3: Oligocene Play Fairway Model

### 3.4 Petroleum System

Onshore south Louisiana contains an active, proven petroleum system involving marine source rocks and associated Tertiary clastic reservoirs. The proven hydrocarbon system extends right across the onshore state of Texas and into the offshore Gulf of Mexico.

#### 3.4.1 Reservoir

Oligocene age sandstones of the Upper Frio Formation form the primary reservoir target in the Amazon and Thames prospects (Figure 4)

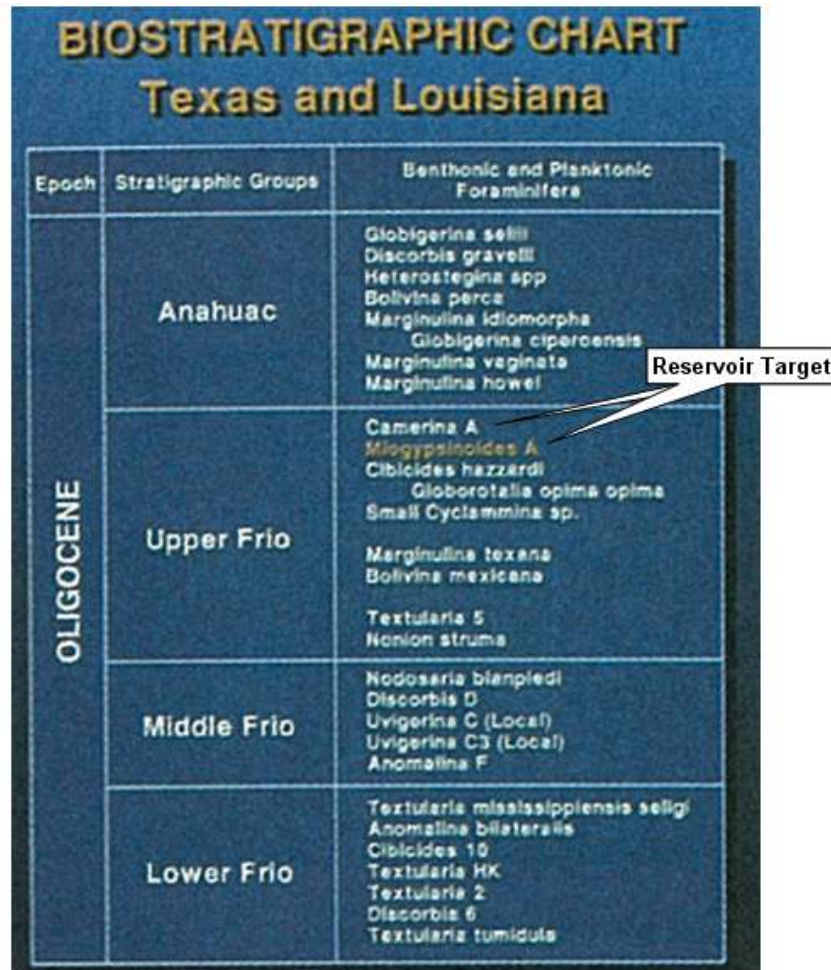


Figure 4: Biostratigraphic Chart Texas and Louisiana

The sands were deposited in a fluvial to shallow marine environment and they form the primary reservoir for many of the hydrocarbon fields in the area.

The reservoir properties of the Oligocene sands for the wells in the adjacent fields range from 65% - 90% for the net to gross, 12% – 23% for the porosity and 60% – 85% for the hydrocarbon saturation. The pay sands had an average porosity of 20% and an average water saturation of 31.4%.

Well data from within the gas cap of the field shows very good reservoir properties with an average porosity of 32% and permeability of 1,253 mD

### **3.4.2 Source**

The geological risk on source for the prospects is very low as a large number of gas / condensate fields lie in the adjacent acreage and on trend in the Oligocene play fairway. The most likely hydrocarbon type would be gas with a strong probability of having a gas condensate ratio of 10 bbl per MMscf. There is a small possibility of an oil leg to the hydrocarbon accumulation however this has not been addressed in the prospect volumetrics.

### **3.4.3 Seal**

Oligocene and Early Miocene shales of the Upper Frio and Anahuac formations form proven lateral and top seals for the primary reservoir targets.

Many of the existing fields are controlled by faults and they therefore have demonstrated the effectiveness of the regional seals. A critical risk for the fault traps is fault reactivation which may cause breaching of the trap after it has been charged with gas. It should be noted that many of the gas fields are tilted fault blocks that have undergone fault reactivation but have still retained effective fault seal.

### **3.4.4 Traps**

A wide range of structural traps and structural / stratigraphic traps exist throughout the region due to the tectonic history of the basin. The majority of fields in the area are either salt induced structures or fault dependent anticlines. The two prospects fall into the later trap type. Regional mapping at the Camerina A Horizon of the Upper Frio Formation shows that the prospects are on trend and have a similar structural trapping style to the adjacent fields.

## 3.5 Prospects Assessment

### 3.5.1 Prospects Inventory

Isis have reviewed and assessed the Amazon and Thames prospects. The primary objective of the review was to generate an Independent Geologist's Report on the hydrocarbon potential of the prospects, the volumes calculated for the structures and the geological risk associated with each prospect.

### 3.5.2 Amazon Prospect

The Amazon Prospect is a fault dependent anticline with the major faults located down flank from an anticlinal crest with minor faulting (Figure 5). The mapping of the prospect shows time and depth closure at the Top Reservoir Horizon. The prospect is 12.4 sq km in area and has 120m of relief (Figure 6).

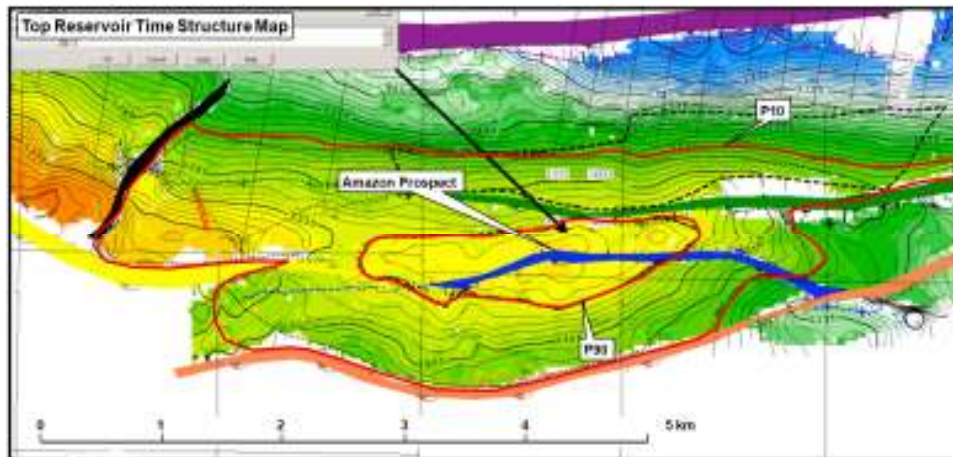


Figure 5: Amazon Prospect Time Structure Map

Depth conversion of the time structure map was completed using a constant Average Velocity of 2,517 m/sec, which is consistent with regional velocity control.

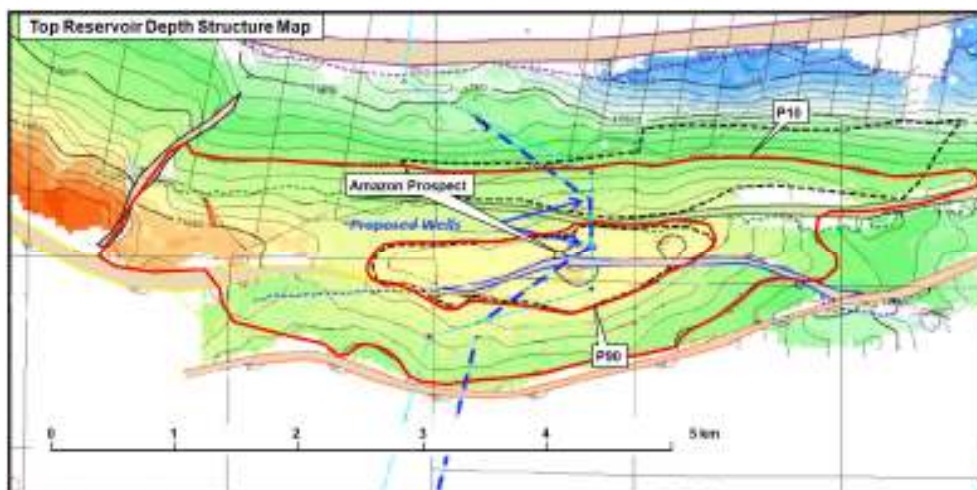


Figure 6: Amazon Prospect Depth Structure Map

The primary reservoir for the Amazon Prospect is the Oligocene Sandstone that is currently producing from the adjacent fields. Secondary reservoirs are likely to occur in the Camerina Sands as seen in another adjacent field.

The 3D seismic data over the Amazon Prospect shows high amplitudes throughout the reservoir section (Figure 7 and Figure 8). The amplitude anomaly may represent good reservoir development and possibly the presence of hydrocarbons.

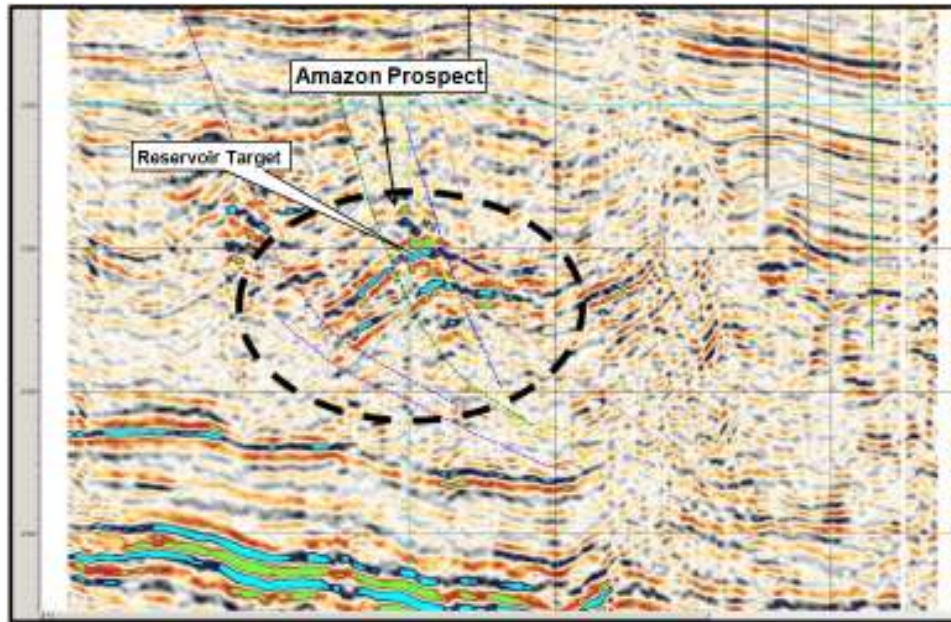


Figure 7: Amazon Prospect 3D Seismic Dip Line

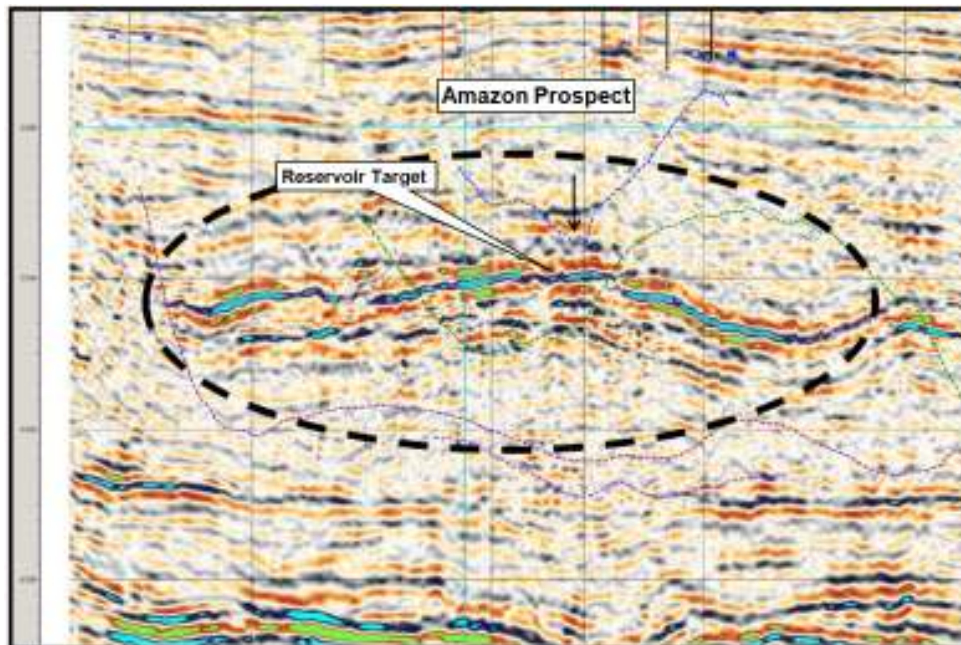


Figure 8: Amazon Prospect 3D Seismic Strike Line



### 3.5.3 Thames Prospect

The Thames Prospect is a fault dependent anticline with the major faults located at the crest of the structure (Figure 9). The prospect is 1.21 sq km in area and has 335m of relief.

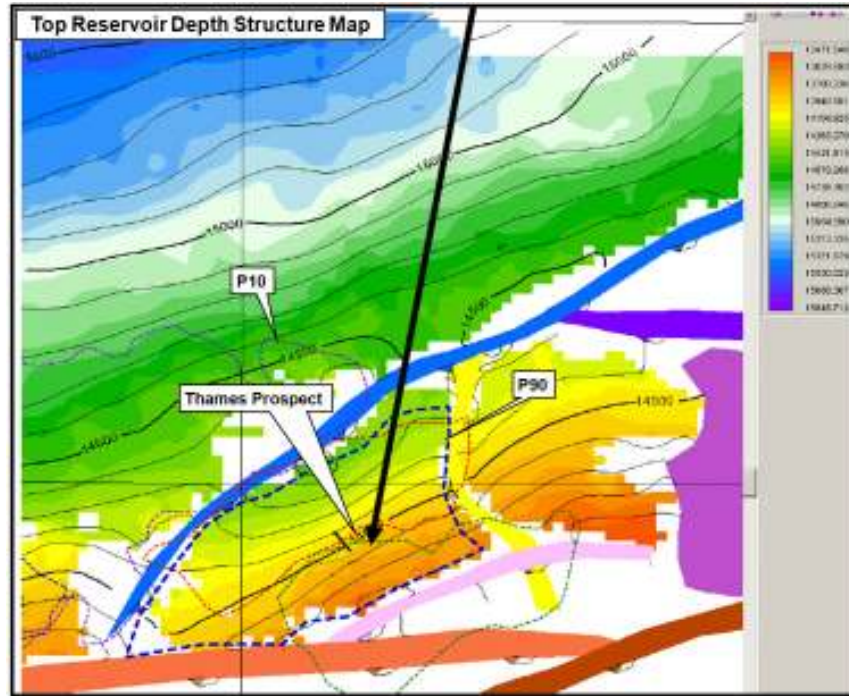


Figure 9: Thames Prospect – Top Reservoir Depth Structure Map

Amplitude extraction at the Top Reservoir Horizon shows a high amplitude anomaly at the crest of the Thames Prospect (Figure 10).

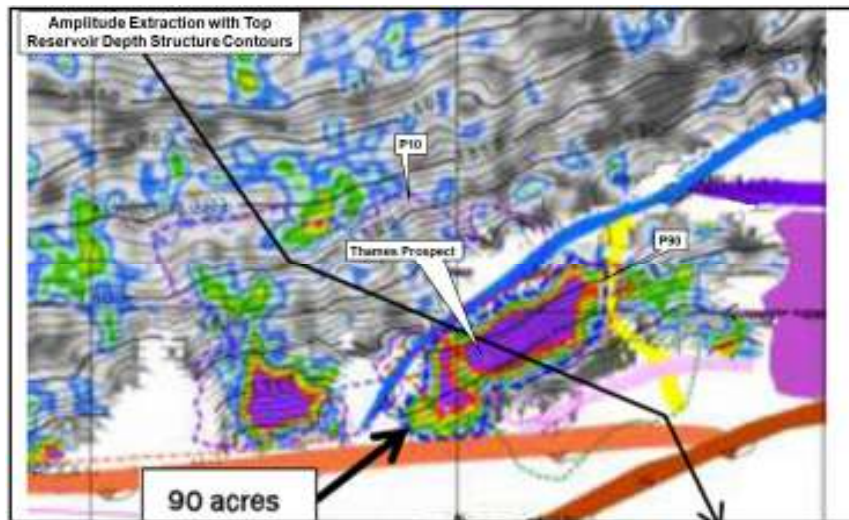


Figure 10: Thames Prospect – Amplitude extraction with Top Reservoir Depth Contours

The determination of the P10 area for the Thames Prospect was calculated from the Amplitude Extraction Map of the Purple Horizon which shows high amplitude over the flank of the Thames Prospect (Figure 11).

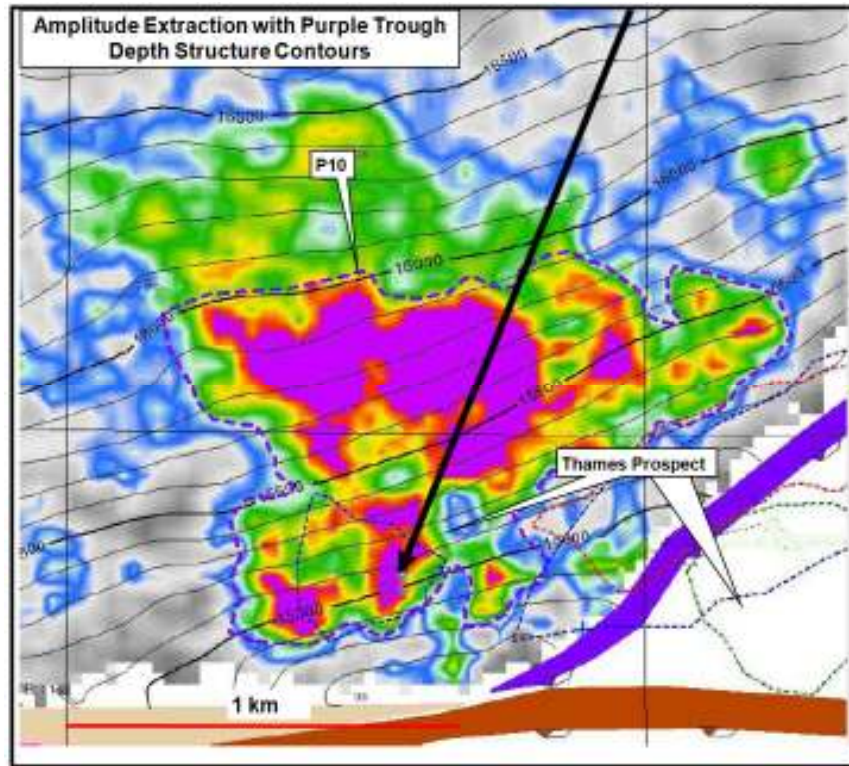


Figure 11: Thames Prospect – Amplitude extraction with Top Reservoir Depth Contours

The seismic calibration for the interpretation over the Thames Prospect is provided by a tie to an unnamed adjacent well (Figure 11).

The primary reservoir for the Thames Prospect is the Oligocene Sandstone that are currently producing from adjacent fields. Secondary reservoirs are likely to occur in the Camerina Sands as seen in another adjacent field.

The 3D seismic data over the Thames Prospect shows high amplitude through out the reservoir section (Figure 12). The amplitude anomaly may represent good reservoir development and possibly the presence of hydrocarbons.

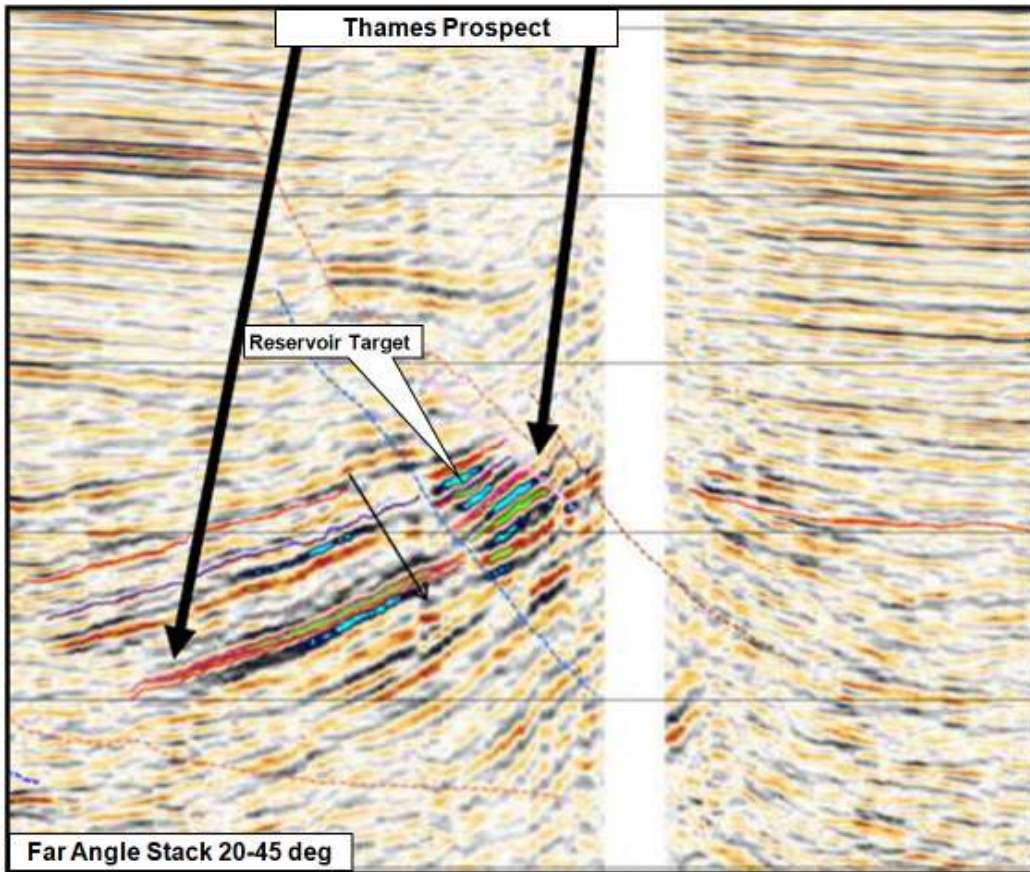


Figure 12: Thames Prospect 3D Seismic Dip Line

### **3.6 Volumetrics and Risking**

Probabilistic in place gas volumetric calculations were carried out using the QRISK volumetric software for each of the prospects. The range of reservoir and fluid parameters used by Isis was determined after consideration of the parameters used in the local field analogues

Gross rock volumes were base on the Top Reservoir Depth Maps supplied by BrainZ.

In the case of the Amazon Prospect, the P10 gross rock volume was calculated as the lowest closing contour with fault seal on the western side of the prospect and the P90 value was calculated as the anticlinal closure on the crest of the feature.

In the case of the Thames Prospect the P10 value was calculated as the area associated with the high amplitude anomaly at the purple horizon within the northern rotated horst block and the P90 value was calculated as the lowest closing contour in the southern rotated horst block with the high amplitude anomaly at the blue horizon.

The net to gross for each prospect was determined after consideration of using the parameters of the adjacent fields.

The porosity data and hydrocarbon saturation data for the prospect evaluation was determined after consideration of the adjacent fields.

Formation volume factors used for the prospects were determined from calculations based upon the depth of the structures and the bottom hole temperatures from the adjacent fields.

Recovery factor for the prospects was based upon the adjacent gas fields. It ranges from a P90 of 60% to a P10 of 80% with a mean of 69%.

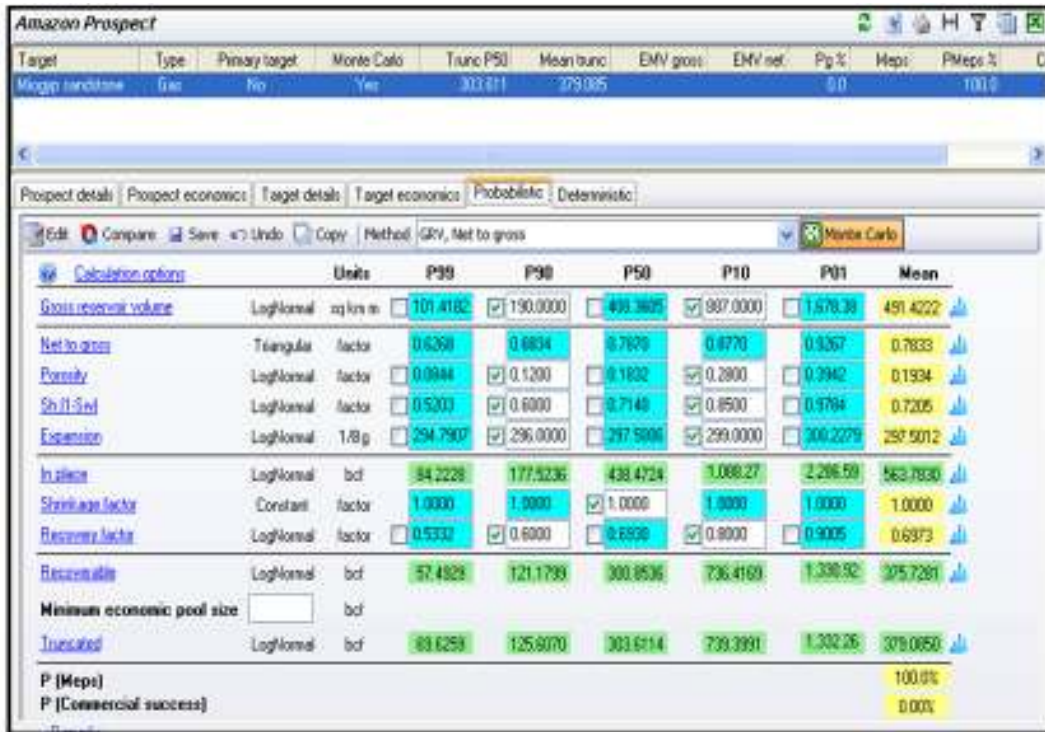


Figure 13: Probabilistic Volumetrics for Amazon Prospect

**Amazon Prospect: 564 Bcf Mean in place gas volume (Figure 13)**

The geological risk ("POS") for the Amazon Prospect is 35% and has been calculated using the following inputs:

Closure : 3D seismic coverage : 80%  
 Reservoir : : 65%  
 Source : : 95%  
 Seal : : 75%

**POS : 35%**



Figure 14: Probabilistic Volumetrics for Thames Prospect

**Thames Prospect: 85 Bcf** Mean in place gas volume (Figure 14)

The POS for the Thames Prospect is 35% and has been calculated using the following inputs:

Closure : 3D seismic coverage : 80%  
 Reservoir : : 65%  
 Source : : 95%  
 Seal : : 75%

**POS : 35%**

## 4.0 LAND AND LEGAL

BrainZ has secured the right to participate in the drilling of the Amazon Prospect and secured the option to participate in the drilling of the Thames Prospect. Isis has prepared an Independent Geologist's Report that details the analysis, findings and conclusions of the evaluation.

The prospects are currently held by Caza who are farming out to Pass who are in turn farming part of their interest out to BrainZ.

Under the terms of the Farm In Agreement, BrainZ has exclusive right to earn up to 30% working interest in the south Louisiana, Amazon Prospect by the payment of a prospective fee of US\$197,250, representing 18.75% of all acreage, geophysical and geological costs incurred in connection with the Amazon Prospect. BrainZ also has to pay for 50% of the cost of the exploration well which is budgeted on a dry hole cost basis of US\$2.76 million net to BrainZ. In the event of a commercial discovery, BrainZ will be required to pay its share of the completion costs of the well which are estimated to be US\$470,000.

BrainZ has granted to Pass an option to acquire a 2.5% working interest back from BrainZ at the casing point election above the primary objective of the well which would result in BrainZ receiving a payment from Pass of approximately US\$450,000.

BrainZ shall also have the right, but not the obligation, to participate in the south Louisiana, Thames Prospect which is located just south of the Amazon Prospect.

The evaluation of the two prospects was conducted in the context of BrainZ's significant change in nature from medical instrumentation to oil and gas exploration and accordingly it's need to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The primary objective of the review was to form an Independent Geologist's Opinion on the hydrocarbon potential of the prospects, the volumes calculated for the structures and the geological risk associated with each prospect

## 5.0 RESUMES

### **Eric Tucker**

Eric Tucker holds a Fellowship Diploma in Geology from the Royal Melbourne Institute of Technology. He has over 30 years of oil and gas exploration, appraisal and development experience.

He worked with BHP / Woodside for seven years, Hudson Bay Oil & Gas for five years, Trans Canada Pipelines for seven years, as an international consultant for ten years and for Command Petroleum / Cairn Energy for eight years. He has held a wide variety of technical positions in successful oil & gas exploration, appraisal and development teams.

Eric established and developed Cairn's geology and geophysics function in Chennai. He was a key member of the subsurface team that made the initial oil discovery in Rajasthan, the Lakshmi and Gauri Gas Fields; the five deepwater discoveries in the Krishna Godavari Basin; and the ongoing upgrade of the reserves for the Ravva Oil & Gas Field.

He held the positions of Exploration Manager, Subsurface Manager, Asset Manager, and New Ventures Manager, for Cairn Energy in Sydney -Australia, Chennai – India, and Edinburgh - Scotland from 1997 to 2002.

In late 2002, Eric left Cairn and returned to work as an independent, international oil & gas consultant. He completed the geological and seismic interpretation of the Cabinda South Block, Angola, together with geological evaluations of several operated and gazetted areas in shallow and deep waters in Indonesia, West Africa, India and the North West Shelf.

### **Paul Carter**

Paul Carter holds a BApp Sc (Geophysics), from Curtin University, Perth, WA. He has 30 years of oil and gas exploration, appraisal and development experience.

Paul worked for Hudson Bay Oil & Gas for three years, Minora Resources for ten years, WMC for three years, Novus Petroleum Limited for two years, GSI for two years and as an independent international consultant at Isis Petroleum Consultants for ten years.

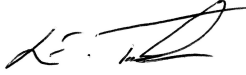
He has worked on a wide range of Tertiary Basins in Southeast Asia, West Africa, South Asia and Australia.


He has worked in several major Tertiary oil and gas provinces in Australia, Indonesia and India. He is very experienced in interpreting both shallow and deepwater depositional environments. He has successfully completed seismic stratigraphic interpretations in frontier deepwater areas.

Paul is very experienced in interpreting seismic data from a wide variety of structural and depositional settings and is ideally suited to working in both small scale and large technical teams.



## 6.0 SIGNATURES

Signed:   
Name: Eric Tucker  
Principal Explorationist

Signed:   
Name: Paul Carter  
Principal Geophysicist

## **7.0 REFERENCES**

G. E. Klefstad, West Chalkley, Cameron Parish, Louisiana: A Case for Continued Exploration in Mature Producing Provinces: Giant Oil and Gas Fields of the Decade 1978-1988, Chapter 3 Pages 27 - 33,

Robert B. Denehle, Riceville Field, Vermillion Parish, Louisiana

## 8.0 GLOSSARY OF ABBREVIATIONS

Abbreviation	Definition
1P	Taken to be equivalent to Proved Reserves; denotes low estimate scenario of Reserves
1Q	1 <sup>st</sup> quarter
2P	Taken to be equivalent to the sum of Proved plus Probable Reserves; denotes best estimate scenario of Reserves
2Q	2 <sup>nd</sup> quarter
2D	Two dimensional
3D	Three dimensional
3P	Taken to be equivalent to the sum of Proved plus Probable plus Possible Reserves; denotes high estimate scenario of Reserves
3Q	3 <sup>rd</sup> quarter
4Q	4 <sup>th</sup> quarter
ACQ	Annual contract quantity
A\$	Australian dollars
A\$ MM	Million Australian dollars
AM	Airborne magnetic
Bg	Gas formation volume factor unit reservoir volume per volume at standard conditions
Bo	Oil formation volume factor reservoir volume per volume at standard conditions
BOE	US barrels of oil equivalent
bb1	US barrel
bb1/d	US barrels per day
BBTU	Billion (10 <sup>9</sup> ) British Thermal Units
Bcf	Billion (10 <sup>9</sup> ) cubic feet
BCPD	Barrels of condensate per day
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BRF	Batu Raja Formation
BTU	British Thermal Units
BWPD	Barrels of water per day
C	Celsius
Capex	Capital expenditure
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf
CIIP	Condensate initially in-place
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
CO <sub>2</sub>	Carbon dioxide
Cp	Centipoise (measure of viscosity)
CPI	Consumer Price Index
CPF	Central processing facilities
DCF	Discounted cashflow
DCQ	Daily contract quantity
deg	Degrees
DHI	Direct hydrocarbon indicator
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
DST	Drill stem test
Eg	Gas expansion factor. Gas volume at standard (surface) conditions / gas volume at reservoir conditions (pressure & temperature)

<b>Abbreviation</b>	<b>Definition</b>
EIA	US Energy Information Administration
EMV	Expected monetary value
EOR	Enhanced oil recovery
ESP	Electric submersible pump
EUR	Estimated ultimate recovery
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front end engineering design
FID	Final investment decision
Fm	Formation
FPSO	Floating offshore production and storage unit
FS	Flooding surface
FWL	Free water level
FVF	Formation volume factor
G&G	Geological and Geophysical
GIIP	Gas initially in-place
GJ	Giga (10 <sup>9</sup> ) joules
GOC	Gas-oil contact
GRV	Gross rock volume
GSA	Gas sales agreement
GWC	Gas water contact
H <sub>2</sub> S	Hydrogen sulphide
HHV	Higher heating value
HI	Hydrocarbon Index
ID	Internal diameter
IRR	Internal Rate of Return is the discount rate that results in the NPV being equal to zero.
JV(P)	Joint Venture (Partners)
K <sub>h</sub>	Horizontal permeability
k <sub>g</sub>	Relative permeability to gas
k <sub>ro</sub>	Relative permeability to oil
k <sub>rw</sub>	Relative permeability to water
k <sub>v</sub>	Vertical permeability
km	Kilometres
kPa	Kilo (thousand) pascal (measurement of pressure)
LCC	Lowest closing contour
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect
LKG	Lowest known gas
LKO	Lowest known oil
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas, predominantly propane and butane
m	Metres
Ma	Millions of years
MDT	Modular dynamic formation tester
MDQ	Maximum daily quantity
Mean	Arithmetic average of a series of values
mD	Millidarcies (permeability)
MFS	Maximum flooding surface

<b>Abbreviation</b>	<b>Definition</b>
Mgal	Milligal. A unit of acceleration used with gravity measurements ( $1.0^{+5}$ Mgal = $1.0 \text{ m/sec}^2$ )
MJ	Mega ( $10^6$ ) Joules
Mm <sup>3</sup>	Million cubic metres
MMbbl	Million US barrels
MMBOE	Million US barrels of oil equivalent
MMBTU	Million British Thermal Units
MMscf	Million standard cubic feet
MMscfd	Million standard cubic feet per day
MMstb	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
Mscf	Thousands standard cubic feet
Mstb	Thousand US stock tank barrels
Mstb/d	Thousand US stock tank barrels per day
MPa	Mega ( $10^6$ ) pascal (measurement of pressure)
mss	Metres subsea
MT	Magnetotelluric
Mtpa	Million metric tonnes per annum
mTVDss	Metres true vertical depth subsea
NPV	Net Present Value (of a series of cash flows)
NTA	Native Title Act
NTG	Net to Gross (ratio)
NZ\$	New Zealand dollars
NZ\$ MM	Million New Zealand dollars
Opex	Operating expenditure
OWC	Oil-water contact
P10 / high estimate	There should be at least a 10% probability that the quantities actually recovered will equal or exceed the high estimate
P50 / best estimate	There should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate
P90 / low estimate	There should be at least a 90% probability that the quantities actually recovered will equal or exceed the low estimate
PBU	Pressure build-up
PHIE	Effective porosity
PHIT	Total porosity
PJ	Peta ( $10^{15}$ ) Joules
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent viable drilling target
Prospective Resources	Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations according to the definitions of the Society of Petroleum Engineers, World Petroleum Council and American Association of Petroleum Geologists.
P&L	Prospects and leads
PSC	Production Sharing Contract
POS	Probability of success
PSDM	Pre-stack depth migration
psi(a)	Pounds per square inch pressure (absolute)
p.u.	Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%
PVT	Pressure, volume & temperature
QA	Quality assurance
QC	Quality control
rb/Mscf	Reservoir barrels per thousand standard cubic feet under standard conditions

<b>Abbreviation</b>	<b>Definition</b>
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions
RT	Measured from Rotary Table or Real Terms, depending on context
SB	Sequence boundary
SC	Service Contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
S <sub>g</sub>	Gas saturation
S <sub>gr</sub>	Residual gas saturation
SPE	Society of Petroleum Engineers
sq km	Square kilometres
ss	Subsea
STB	Stock tank barrels
STEO	Short term energy outlook
STOIIP	Stock tank oil initially in-place
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
S <sub>w</sub>	Water saturation
TAC	Technical assistance contract
TBTU	One trillion (10 <sup>12</sup> ) British thermal units
Tcf	Trillion (10 <sup>12</sup> ) cubic feet
TJ	Tera (10 <sup>12</sup> ) Joules
TOC	Total organic carbon
tpa	Tonnes (metric) per annum
tpd	Tonnes (metric) per day
TS	Transgressive surface
TVD	True vertical depth
US\$	United States dollar
US\$ MM	Million United States dollars
V <sub>R</sub>	Vitrinite Reflectance
WACC	Weighted average cost of capital
WHFP	Well Head Flowing Pressure
Working interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.
WP&B	Work programme and budget
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil

## 9.0 GLOSSARY OF GEOLOGICAL TERMS

[\(modified after \(1\) Dictionary of Geological Terms, American Geological Institute, 1962 and \(2\) Glossary of Geology; Bates R. L. & Jackson J. A. \(eds\), American Geological Institute, 1980](#)

Geological Term	Definition
alluvial fans	A cone-shaped deposit of alluvium made by a stream where it runs from hills onto a level plain
anticline	A fold, generally convex upward, whose core contains older rocks; forms basis of many hydrocarbon traps
basement depth structure maps	A map which illustrates the depth to the top of the basement surface; contour lines are drawn to link points of equal basement depth; basement usually consists of non-sedimentary rocks, but the term is often used to indicate the base of the prospective section
basement highs	Elevated structures at the basement level; significant because related structures may exist in the overlying prospective sedimentary section
bouguer gravity map	A map showing the variations in Bouguer gravity over an area; Bouguer gravity is the gravity measurement corrected for the altitude of the station & the attraction of the rock mass between the station & sea-level
braided	Refers to a stream where branches form and rejoin producing a braided or net-like pattern; caused by stream dumping some of its sediment load and being forced to create new branches
burial modelling	Describing the infilling of a sedimentary trough as a function of time and space; used to predict the time of generation, migration and expulsion of oil & gas
chronostratigraphy	The organisation of rock strata in an area into units on the basis of their age or time of origin; usually includes information on periods of non-deposition or erosion & the lithology and environments of deposition of the sediments
clastic	Refers to rock or sediment composed mainly of broken fragments which are derived from pre-existing rocks & have been transported some distance from their place of origin; the commonest clastics are sand and shale
conglomerate	Coarse grained clastic sedimentary rock composed of rounded to subangular fragments larger than 2 mm in diameter set in a fine grained matrix of sand or silt
continuously cored	An interval where that is cored over the entire interval of interest or in some cases the entire well; the recovered core is invaluable for directly analysing rock properties
cratonic fill	Refers to sediments deposited in basins or troughs within an area of the earth's crust which has been stable and relatively undeformed for a prolonged period
depth structure map	Refers to a map which shows the varying depths to a specific geological horizon or unit; contour lines are drawn to link points with equal depth
depth to basement map	See above for basement depth structure map
EMV	Expected monetary value; refers to the computed value of a business opportunity taking into consideration cost, benefit and chance of success; allows different opportunities to be compared
fault lineaments	A fault is a fracture or fracture zone where there has been displacement of the sides relative to each other parallel to the fracture; the displacement may range from a few cm to several km; faults appear in map view as lineaments or lines
feldspars	The most widespread mineral group, comprising 60% of the earth's crust; decompose to form most of the clay in soils, including kaolinite; may be significant in reducing reservoir porosities in sandstones
fluvial channel	A channel produced by the erosional action of a river or a stream
fluvio deltaics	Sediments which are deposited in river channels and deltas where the river is close to or reaches a lake or the sea
formation volume factor	The conversion factor required to convert a barrel of gas-free oil in a stock tank at the surface into an equivalent amount of oil in the reservoir
G&G studies	Geological and geophysical studies which are conducted to understand some or all of the components of a petroleum system, e.g. source, maturation, migration, reservoir, seal, play, structure, trap
graben	An elongated trough bounded by faults on its longer sides
gravity & magnetic survey	A field operation and the results thereof, in which the earth's magnetic field or gravity field are measured on the surface in some form of regular grid
HI	Hydrogen index; the ratio of hydrogen atoms in a unit volume of rock to the number of hydrogen atoms in a unit volume of pure water at surface conditions
horst	A structurally high block generally elongated and bounded by faults on its two longer sides

<b>Geological Term</b>	<b>Definition</b>
hydrocarbon system	A term which describes the total environment in which oil and gas has been generated, migrated and trapped; it can refer to a proven system such as the Viking Graben in the North Sea hydrocarbon system or it can be used to describe an unproven system
isochron mapping	Mapping in which the interpreted seismic time interval between mapped geological horizons is shown; contour lines are drawn to link points of equal time interval
lacustrine	Pertaining to, produced by or formed in a lake; e.g. lacustrine sediments are deposited in lakes
LCC	Lowest Closing Contour defines the extent of the closure on each Prospect/Lead
lead	A potential trap for hydrocarbons which is not mature for drilling; additional information could make it mature it to prospect status e.g. a structure which has sparse seismic control
lenticular	Shaped like a lens; e.g. a lenticular sand body refers to the cross-sectional shape of a sand deposit
metamorphics	Types of rocks which have been altered from their original state by marked changes in temperature, pressure or chemical environment, usually at depth within the Earth's crust
misties	Mismatches in seismic travel times to a specific horizon at two intersecting seismic lines; if large and not properly corrected they can throw doubt on the validity of potential hydrocarbon traps
net to gross	The proportion of "pure" or net reservoir section over a defined gross interval
permeability	The capacity of a rock for transmitting a fluid; the unit is the Darcy
play types	The types of traps that may be present to entrap hydrocarbons in an area
pore-clogging	During the drilling of a well, the invasion of drilling fluids can either result in clays being forced into the reservoir section or cause clays in reservoir pore spaces to swell or to be altered, resulting in pore-clogging and damaging the formation
post-rift sedimentary fill	Refers to the ongoing infilling of a sedimentary depression at the end of a rifting phase; post rifting, a more quiescent period usually follows, with more widespread deposition
porosity	The percentage of the volume of a given rock mass which is not made up of solid rock, but of interstices or voids between the rock material
probabilistic volumetrics	A method of calculating the potential distribution of hydrocarbon volumes in a trap using probability distributions of the key parameters such as gross rock volume, porosity, net to gross etc.; assumes lognormal distribution functions
prograding	A seaward advance or building outwards of the shore line into the ocean or a lake
prospect	An undrilled potential trap for hydrocarbons which is mature or close to mature for drilling
rotated fault block	A fault block that has been rotated and tilted so that the beds within the block are now tilted
S2	During the rock-e-val process sediments are heated in the laboratory. The proportion of hydrocarbons that can be liberated as the temperature rises are defined as S1, S2 and S3. S1 is the initial amount of hydrocarbons that lies with in the pore spaces; S2 is amount of hydrocarbons generated after S1 has been released and is the latent potential of the rocks prior to the generation of CO2
seal	An impermeable layer of rocks which does not allow transmission of fluids
seismic	A geophysical technique in which the generation of sound waves near the ground surface or in the ocean and the recording of reflected signals from rock interfaces allows a picture of the subsurface structure of the earth to be generated
shale	A fine-grained laminated fissile sedimentary rock formed by the consolidation of clay
source rock maturity maps	A map which shows for a specific source rock the level of maturity of the organic material in the rocks over an area; contour lines are drawn linking points of equal maturity
spill point	A point on a hydrocarbon trap where if the structure is filled to that level with hydrocarbons, any additional hydrocarbons which move to the structure will spill out of the trap
stratigraphy	The science of rock strata; the original succession of strata, their age relations, form, distribution, lithologic composition, fossil content, geophysical & geochemical properties; their interpretation in terms of environment, mode of origin, geologic history.
syn-rift fill	The sediments deposited during a period of active rifting; sediment type and distribution is profoundly affected by the horsts and grabens which develop during the rifting
tectonic elements	Tectonics- a branch of geology dealing with the broad architecture of the outer part of the earth, i.e. the regional assembling of structural or deformational features, a study of their mutual relations, origin and historical evolution Tectonic elements- The key features that define the architecture of the outer part of the earth; including but not limited to faults, basins and structural highs
tectonic evolution	The development through geological time of an area in regard to the large-scale architecture of its crustal blocks
tectonic setting	The large scale architecture of crustal blocks in an area which provides a context for the development and history of sedimentary basins or troughs



<b>Geological Term</b>	<b>Definition</b>
thermal gradient	The rate of change of temperature with distance; for the earth, it is referred to as geothermal gradient, i.e. rate of change of temperature with depth below the surface of the earth
time structure maps	Refers to a map which shows the varying seismic travel-time to a specific geological horizon or unit; contour lines are drawn to link points with equal depth
time thickness maps	See isochron maps above
TOC	Total organic carbon- percentage of rock which comprises organic carbon
transtensional structuring	Structuring which combines the two elements of extension and strike-slip motion
trap	Trap- any barrier to the upward movement of oil and or gas allowing either or both to accumulate; it includes both the reservoir rocks and the overlying or updip impermeable sealing rocks Structural trap- in this case the trap or “container” is formed entirely by folding or faulting of beds to create the impermeable barriers to further migration Stratigraphic trap- at least in part, the trap is formed by a lateral change in the reservoir permeability, e.g. a reservoir sand being replaced by a shale
unconformity	A surface of erosion or no-deposition that separates younger strata from older rocks
velocity surveys	Measurements of seismic travel-time recorded at various depths in a well to allow seismic reflectors to be associated with specific geological boundaries in the rock sequence

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**10. INVESTIGATING ACCOUNTANT'S REPORT**

11 May 2010

The Directors  
Brainz Instruments Limited  
Suite 9, 1200 Hay Street  
WEST PERTH WA 6005

Dear Sirs

## **INVESTIGATING ACCOUNTANT'S REPORT**

### *INTRODUCTION*

This Investigating Accountant's Report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 11 May 2010 ("Prospectus") for the issue by Brainz Instruments Limited (to be renamed Tango Petroleum Limited) ("BZI" or the "Company") of up to 10,000,000 ordinary shares at an issue price of 20 cents each together with one free attaching option for every share subscribed for and issued, to raise a total of up to \$2,000,000 before the expenses of the issue.

The minimum subscription under the offer is \$1,000,000.

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position and performance of the Brainz Instruments Limited (to be renamed Tango Petroleum Limited).

### *STRUCTURE OF REPORT*

This Report has been divided into the following sections:

1. Background information;
2. Scope of Report;
3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

#### **1. BACKGROUND INFORMATION**

The Company was registered in New Zealand on 30 August 1990 and subsequently registered in Australia as a foreign company on 24 October 2005. On 12 December 2005 the Company was admitted to the official list of the Australian Securities Exchange Limited ("ASX"). Most recently the Company transferred its registration to Australia and on 22 March 2010 it was registered as an Australian company under the Corporations Act.

## **1. BACKGROUND INFORMATION (CONT)**

Until November 2009, the Company's primary focus was the medical technology business. Following divestment of its main undertaking the Company announced to ASX on 24 November 2009, the Board had resolved to implement a change to the Company's strategy. Under previous management, the Company had advised that it was considering winding up the Company and returning capital to Shareholders. The newly appointed Board considered the merits of this strategy and resolved not to pursue it. Under the revised strategy, the Board resolved to explore new business opportunities and seek to remain as an ASX listed entity.

As a consequence of the Company's revised strategy, the existing Board has since decided to focus on oil and gas exploration activities.

Further details are set out in Section 6 of the Prospectus.

The current directors of BZI are Mr Keith Goodall, Mr Garry Ralston and Mr Mathew Walker.

As at the date of this Prospectus, the issued share capital of the Company is 75,000,000 ordinary fully paid shares. Additionally, the Company has 31,132,465 options exercisable at 20 cents on or before 31 May 2011 on issue at the date of this Prospectus.

The Company's main objectives in undertaking the Offer include:

- assisting the Company to meet the requirements of ASX and re-comply with Chapters 1 and 2 of the ASX Listing Rules;
- raising funds to be applied in satisfaction of the terms and conditions of the Farmout Agreement; and
- providing funds for general working capital and the expenses of the Offer.

## **2. SCOPE OF REPORT**

You have requested HLB Mann Judd ("HLB") to prepare this Report presenting the following information:

- a) the historical financial information of BZI, comprising the historical Statement of Financial Position as at 31 March 2010 and the historical Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended 31 March 2010 as set out in Appendix 1 to this Report; and
- b) the proforma financial information for BZI, comprising the proforma Statement of Financial Position as at 31 March 2010 and the proforma Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half year then ended. This information is presented under the following two scenarios:
  - \$1,000,000 capital raising (minimum subscription), and
  - \$2,000,000 capital raising (full subscription).

The Directors have prepared and are responsible for the historical and proforma information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

We performed a review of the historical financial information and the proforma financial information of BZI as at 31 March 2010 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements. Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements.

Our review of the historical financial information and the proforma information of BZI was carried out in accordance with Australian Auditing Standard ASRE 2410 "Review of an Interim Financial Report performed by the Independent Auditor of the Entity" and included such enquiries and procedures which we considered necessary for the purposes of this Report. The review procedures undertaken by HLB in our role as Investigating Accountants were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and the proforma information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical financial information and proforma information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- a) support by another person, corporation or an unrelated entity has not been assumed;
- b) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- c) the going concern basis of accounting has been adopted.

### **3. FINANCIAL INFORMATION**

Set out in Appendix 1 (attached) are:

- a) The Statement of Financial Position of BZI as at 31 March 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended; and
- b) The proforma Statement of Financial Position of BZI as at 31 March 2010 and proforma Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended as they would appear after incorporating the following significant events and proposed transactions by the Company subsequent to 31 March 2010:
  - i) the issue by the Company pursuant to the Entitlement Issue of 37,500,000 options at 0.5 cents each, exercisable at 20 cents on or before 31 May 2011 raising \$187,500;
  - ii) the issue by the Company pursuant to the Option Placement of 37,500,000 options at 0.5 cents each, exercisable at 20 cents on or before 31 May 2011 raising \$187,500;
  - iii) the payment of costs associated with the Entitlement Issue of \$50,500;

- iv) the issue by the Company pursuant to this Prospectus of 10,000,000 ordinary shares at an issue price of 20 cents each together with one free attaching option for every share issued, raising \$2,000,000; and
- v) the write off to the issued capital account of the cash costs of the Prospectus being an estimated \$225,000, as detailed below:

	<i>Total (\$)</i>
ASIC fees	2,010
ASX fees	10,150
Broker Commissions	100,000
Legal Fees	45,000
Independent Geologist's Fees	40,550
Investigating Accountant's Fees	8,500
US Tenure Advisor Fee	11,015
Printing and Distribution	2,000
Miscellaneous	5,775
	225,000

This information is presented under the following two scenarios:

- \$1,000,000 capital raising (minimum subscription) – on this basis the total cash costs of the Prospectus reduce by \$55,000 to \$170,000.
- \$2,000,000 capital raising (full subscription).

c) Notes to the historical financial information and proforma information.

#### 4. *SUBSEQUENT EVENTS*

In our opinion, there have been no material items, transactions or events subsequent to 31 March 2010 not otherwise disclosed in the Prospectus that have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

#### 5. *STATEMENTS*

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

- a) the historical financial information of Brainz Instruments Limited (to be renamed Tango Petroleum Limited) as at 31 March 2010 as set out in Appendix 1 of this Report, does not present fairly the financial position of BZI as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations and its cash flows for the year then ended; and
- b) the proforma information of Brainz Instruments Limited (to be renamed Tango Petroleum Limited) as at 31 March 2010 as set out in Appendix 1 of this Report, does not present fairly the financial position of BZI as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations and its cash flows for the year then ended, as if the transactions referred to in Section 3 (b) of this Report had occurred during that period.

6. **DECLARATION**

- a) HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates (expected to be \$8,500).
- b) Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- c) Neither HLB, nor any of its employees or associated persons has any interest in Brainz Instruments Limited (to be renamed Tango Petroleum Limited) or the promotion of the Company.
- d) Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.
- e) HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears. The inclusion of this Report should not be taken as an endorsement of the Company or a recommendation by HLB of any participation in the Company by an intending subscriber.

Yours faithfully  
**HLB MANN JUDD**



**N G NEILL**  
Partner

## - APPENDIX 1 -

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2010**

		<i>Reviewed</i>	<i>Proforma</i>	
	<i>Notes</i>	\$	\$1M raising \$	\$2M raising \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	2	2,250,452	3,404,952	4,349,952
Receivables		8,730	8,730	8,730
<b>TOTAL CURRENT ASSETS</b>		<b>2,259,182</b>	<b>3,413,682</b>	<b>4,358,682</b>
<b>NON CURRENT ASSETS</b>				
Exploration and evaluation expenditure	3	217,272	217,272	217,272
<b>TOTAL NON-CURRENT ASSETS</b>		<b>217,272</b>	<b>217,272</b>	<b>217,272</b>
<b>TOTAL ASSETS</b>		<b>2,476,454</b>	<b>3,630,954</b>	<b>4,575,954</b>
<b>CURRENT LIABILITIES</b>				
Trade and other creditors	4	18,500	18,500	18,500
<b>TOTAL CURRENT LIABILITIES</b>		<b>18,500</b>	<b>18,500</b>	<b>18,500</b>
<b>TOTAL LIABILITIES</b>		<b>18,500</b>	<b>18,500</b>	<b>18,500</b>
<b>NET ASSETS</b>		<b>2,457,954</b>	<b>3,612,454</b>	<b>4,557,454</b>
<b>EQUITY</b>				
Issued capital	5	21,104,764	21,934,764	22,879,764
Other reserves		(1,283,048)	(1,283,048)	(1,283,048)
Option Reserve		-	324,500	324,500
Accumulated losses		(17,363,762)	(17,363,762)	(17,363,762)
<b>TOTAL EQUITY</b>		<b>2,457,954</b>	<b>3,612,454</b>	<b>4,557,454</b>

This statement should be read in conjunction with the accompanying notes.



**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	<i>Reviewed</i>	<i>Proforma</i>	
	\$	\$1M raising \$	\$2M raising \$
Income from ordinary activities	42,460	42,460	42,460
Finance costs	(624)	(624)	(624)
Audit and assurance fees	(18,005)	(18,005)	(18,005)
Professional costs	(154,353)	(154,353)	(154,353)
Legal fees	(15,007)	(15,007)	(15,007)
Debt forgiveness	(101,081)	(101,081)	(101,081)
Other expenses	(30,160)	(30,160)	(30,160)
Loss from ordinary activities before income tax	(276,770)	(276,770)	(276,770)
Income tax expense	-	-	-
Loss from ordinary activities after income tax	(276,770)	(276,770)	(276,770)
Other comprehensive income	(220,091)	(220,091)	(220,091)
Total comprehensive loss for the period	(496,861)	(496,861)	(496,861)

This statement should be read in conjunction with the accompanying notes.

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	<i>Reviewed</i>	<i>Proforma</i>	
	\$	\$1M raising \$	\$2M raising \$
<i>Cash Flows From Operating Activities</i>			
Payments to suppliers and employees	(393,096)	(393,096)	(393,096)
Interest received	42,489	42,489	42,489
<i>Net Cash Used In Operating Activities</i>	(350,607)	(350,607)	(350,607)
<i>Cash Flows From Investing Activities</i>			
Proceeds from sale of trading assets	337,265	337,265	337,265
Payments for exploration expenditure	(217,272)	(217,272)	(217,272)
<i>Net Cash Used In Investing Activities</i>	119,993	119,993	119,993
<i>Cash Flows From Financing Activities</i>			
Proceeds from issue of shares and options	600,000	1,975,000	2,975,000
Issue costs paid	(48,689)	(269,189)	(324,189)
<i>Net Cash Provided By Financing Activities</i>	551,311	1,705,811	2,650,811
<i>Net increase in Cash Held</i>	320,697	1,475,197	2,420,197
Net foreign exchange differences	(231,635)	(231,635)	(231,635)
Cash at the beginning of the financial period	2,161,390	2,161,390	2,161,390
<i>Cash At The End Of The Financial Period</i>	2,250,452	3,404,952	4,349,952

This statement should be read in conjunction with the accompanying notes.

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	<i>Contributed Equity</i>	<i>Option Reserve</i>	<i>Capital Reserve</i>	<i>Accumulated Losses</i>	<i>Foreign Exchange Reserve</i>
	\$	\$	\$	\$	\$
Balance as at 1 April 2009	20,553,453	-	(1,082,645)	(17,086,992)	19,688
Shares issued during the period	551,311	-	-	-	-
Other comprehensive income	-	-	-	-	(220,091)
Loss for the period	-	-	-	(276,770)	-
<b>As at 31 March 2010</b>	<b>21,104,764</b>	<b>-</b>	<b>(1,082,645)</b>	<b>(17,363,762)</b>	<b>(200,403)</b>

**\$1M raising Proforma adjustments:**

Options issued under Entitlement Issue	-	155,662	-	-	-
Issue of options – Shortfall under Entitlement Issue	-	31,838	-	-	-
Issue of options – Placement Issue	-	187,500	-	-	-
Issue of shares pursuant to Prospectus	1,000,000	-	-	-	-
Issue expenses	(170,000)	(50,500)	-	-	-
<b>\$1M raising Proforma total</b>	<b>21,934,764</b>	<b>324,500</b>	<b>(1,082,645)</b>	<b>(17,363,762)</b>	<b>(200,403)</b>

**\$2M raising Proforma adjustments:**

Issue of shares pursuant to Prospectus	1,000,000	-	-	-	-
Share issue expenses	(55,000)	-	-	-	-
<b>\$5M raising Proforma total</b>	<b>22,879,764</b>	<b>324,500</b>	<b>(1,082,645)</b>	<b>(17,363,762)</b>	<b>(200,403)</b>

This statement should be read in conjunction with the accompanying notes

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of the historical and proforma financial information reported under Australian Equivalents to International Financial Reporting Standards ("AIFRS") are shown below.

**(a) Basis of preparation**

The financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

**Compliance with IFRS**

The financial information complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial information, comprising the financial statements and notes thereto, comply with measurement requirements but not all of the disclosure requirements of the International Financial Reporting Standards.

**Historical cost convention**

These financial statements have been prepared under the historical cost convention.

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*(i) Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(d) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(e) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

**(f) Derecognition of financial assets and financial liabilities**

*(i) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- the Company has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*(ii) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(g) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each Statement of Financial Position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(h) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Impairment of assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(j) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

**(k) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Share-based payment transactions**

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Brainz Instruments Limited (to be renamed Tango Petroleum Limited) (market conditions) if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

*Cash settled transactions:*

The Company also provides benefits to employees in its electronics segment in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Brainz Instruments Limited (to be renamed Tango Petroleum Limited).

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each Statement of Financial Position date up to and including the settlement date with changes in fair value recognised in profit or loss.

**(m) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(n) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(o) Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.



**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(p) Proforma transactions**

The proforma Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been derived from the historical financial information as at 31 March 2010 adjusted to give effect to the following actual or proposed significant events and transactions by the Company subsequent to 31 March 2010:

- i) the issue by the Company pursuant to the Entitlement Issue of 37,500,000 options at 0.5 cents each, exercisable at 20 cents on or before 31 May 2011 raising \$187,500;
- ii) the issue by the Company pursuant to the Option Placement of 37,500,000 options at 0.5 cents each, exercisable at 20 cents on or before 31 May 2011 raising \$187,500;
- iii) the payment of costs associated with the Entitlement Issue of \$50,500;
- iv) the issue by the Company pursuant to this Prospectus of 10,000,000 ordinary shares at an issue price of 20 cents each together with one free attaching option for every share issued, raising \$2,000,000; and
- v) the write off to the issued capital account of the cash costs of the Prospectus being an estimated \$225,000.

This information is presented under the following two scenarios:

- \$1,000,000 capital raising (minimum subscription) – on this basis the total cash costs of the Prospectus reduce by \$55,000 to \$170,000.
- \$2,000,000 capital raising (full subscription).

	<i>Reviewed</i>	<i>Proforma</i>	
	\$	\$1M raising	\$2M raising
	\$	\$	\$
<b>2. CASH AND CASH EQUIVALENTS</b>			
Balance as at 31 March 2010	2,250,452	2,250,452	2,250,452
Options issue pursuant to the Entitlement Issue	-	155,662	155,622
Options to be issued pursuant to the Shortfall under the Entitlement Issue	-	31,838	31,838
Options to be issued pursuant to the Option Placement	-	187,500	187,500
Shares issued pursuant to this Prospectus	-	1,000,000	2,000,000
Issue costs (all offers)	-	(220,500)	(275,500)
	2,250,452	3,404,952	4,349,952
<b>3. EXPLORATION AND EVALUATION EXPENDITURE</b>			
Total deferred exploration and evaluation expenditure	217,272	217,272	217,272
<b>4. PAYABLES</b>			
Other payables and accruals	18,500	18,500	18,500

**BRAINZ INSTRUMENTS LIMITED (TO BE RENAMED TANGO PETROLEUM LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
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	<i>Reviewed</i>	<i>Proforma</i>	
	\$	\$1M raising	\$2M raising
	\$	\$	\$
<b>5. ISSUED CAPITAL</b>			
<b>Issued and paid up share capital</b>			
Shares issued:	21,104,764	21,104,764	21,104,764
Prospectus issue	-	1,000,000	2,000,000
Share issue costs	-	(170,000)	(225,000)
Balance at end of period	21,104,764	21,934,764	22,879,764
	\$1M raising	\$2M raising	
	Number	Number	Number
	\$	\$	\$
<b>Movements in number of fully paid ordinary shares since 31 March 2010:</b>			
Shares on issue at 31 March 2010	75,000,000	21,104,764	75,000,000
<b>Proforma adjustments:</b>			
Prospectus issue	5,000,000	1,000,000	10,000,000
Share issue costs		(170,000)	(225,000)
Proforma total	80,000,000	21,934,764	85,000,000
	<i>Reviewed</i>	<i>Proforma</i>	
	Number	\$1M raising	\$2M raising
	Number	Number	Number
<b>6. SHARE OPTIONS RESERVES</b>			
<b>Share options</b>			
31,132,465 options issued under the Entitlement Issue exercisable at 20 cents on or before 31 May 2011	-	31,132,465	31,132,465
6,367,535 options pursuant to the Shortfall to the Entitlement Issue exercisable at 20 cents on or before 31 May 2011	-	6,367,535	6,367,535
37,500,000 options pursuant to the Option Placement exercisable at 20 cents on or before 31 May 2011	-	37,500,000	37,500,000
10,000,000 (min 5,000,000) options pursuant to the offer exercisable at 20 cents on or before 31 December 2012	-	5,000,000	10,000,000
	-	80,000,000	85,000,000

**7. CONTINGENCIES AND COMMITMENTS**

Details of planned expenditure commitments are outlined in Section 4.6 of the Prospectus. The Directors are not aware of any other contingencies.

**8. RELATED PARTY TRANSACTIONS**

Details of Directors' interests in the Company's issued capital and transactions with the Company are included in Section 12.4 of the Prospectus.

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**11. US TENURE REPORT**

**Karen Bryant Duncan, PLLC**  
**Attorney at Law**  
54 Mill Point Place  
The Woodlands, TX 77380

## Tenure Report

### Background

This tenure report (the “**Report**”) is prepared for inclusion in a prospectus issued by Brainz Instruments Limited (the “**Company**”) and dated on or about the 11<sup>th</sup> of May, 2010 in connection with a public offer of up to 10,000,000 shares in the capital of the Company (**Shares**) at an issue price of A\$0.20 per Share, together with one free attaching option to acquire a Share exercisable at A\$0.20 on or before 31 May 2011 for every Share subscribed for and issued, to raise up to A\$2,000,000.

This Report was prepared for the Company at the request of Mathew Walker, Director of the Company, to address the requirements and for the purpose set forth in the Memorandum by Steinepreis Paganin, Lawyers & Consultants to the Company, dated April 8, 2010.

The Company has entered into a Participation Agreement (the “**Agreement**”) with Pass Petroleum, LLC (the “**Vendor**”) pursuant to which the Vendor granted to the Company an exclusive right to earn a 30% working interest in an oil and gas prospect located in the United States in the State of Louisiana (the “**Prospect**”).

### Limitations of Report

The Report is prepared solely for the benefit of the Company and is not to be relied upon by any other party for any other purpose.

In preparing this Report, I have relied on certain public information available through SEDAR, the online access to documents filed with the Canadian Securities Administrators by Caza Oil and Gas Inc., which have not been independently verified. Caza Oil and Gas, Inc. conducts all of its operations through its subsidiary, Caza Petroleum, Inc. (hereinafter referred to collectively as “**Caza**”). I have also relied upon copies of documents provided to me by Caza and Vendor, which I assume are true and accurate representations of the originals but which have not been independently verified.

I am licensed to practice law in the State of Texas and am qualified to give legal advice on Texas law and Federal law. The discussion of Louisiana law is for information purposes only is not to be relied upon as legal advice or as a legal opinion.

I am independent of the Vendor, having no ownership or other interest in Vendor or any influence over Vendor. My husband, Edward A. Duncan, and I are the sole members of Ledgerrock Energy Consulting, LLC, a Texas limited liability company (“**Ledgerrock**”). Ledgerrock provides geological consulting services to Caza under a Consulting Services Agreement that has a connection with the prospect. The services provided under such agreement are provided by Ed Duncan, other than certain administration items. However, Ledgerrock does have an overriding royalty interest in the Prospect granted by Caza under the consulting services agreement.

This report is limited to oil and gas law applicable to onshore properties located in the United States in the State of Louisiana.

### **Summary of Legislative Regime Applicable to the Prospect**

*This summary is not intended to be exhaustive discussion of applicable United States and Louisiana law, nor is it intended to represent legal advice or a legal opinion.*

In the United States, extraction of oil and gas is generally regulated by the individual states through statutes and common law. Federal and constitutional laws apply as well.

Extensive federal, state and local environmental laws and regulations in the United States affect all of the operations of Caza as applicable to the Prospect. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. Significant liability could be imposed on Caza for damages, clean up costs or penalties in the event of certain discharges into the environment or non compliance with environmental laws or regulations.

The following are very brief summaries of the major environmental statutes applicable to oil and gas development:

National Environmental Policy Act (NEPA). Enacted in 1970, NEPA established a national policy to encourage productive and enjoyable harmony between man and his environment and to promote the prevention and elimination of damage to the

environment and biosphere. At the core of NEPA is the requirement that environmental impact statements (EISs) be prepared for all major federal agency actions significantly affecting the human environment. For more information on "major" actions and other NEPA issues, see the NEPA section on the Red Lodge Clearinghouse web site.

Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA). CERCLA, commonly known as Superfund, provides broad federal authority to respond directly to releases or threatened releases of hazardous substances that may endanger public health or the environment. CERCLA established prohibitions and requirements concerning closed and abandoned hazardous waste sites, provided for liability of persons responsible for releases of hazardous waste as these sites, and established a trust, funded by a tax on the chemical and petroleum industries, to provide cleanup when no responsible party could be identified.

Clean Water Act (CWA). The Clean Water Act was established to restore and maintain the chemical, physical and biological integrity of the nation's waters. The CWA aims to protect water quality through development of water quality standards, anti-degradation policies, water quality permitting procedures, water body monitoring and assessment programs, and elimination of point and nonpoint pollution sources. The CWA regulates the National Pollutant Discharge Elimination System (NPDES) permitting process, which establishes, through a permit, pollutant limits on the discharge of produced water that generally include a volume (quantity) and concentration (quality). Pollutants under the NPDES program fall into one of three categories: conventional, toxic, and non-conventional. There are two types of permits under the NPDES program that allow for the discharge of pollutants from point sources. These are individual permits, which are specific to an individual facility, and general permits, which cover multiple facilities within a specific permit category.

Clean Air Act (CAA). Congress passed the CAA in 1970 in order to combat air pollution in the United States and protect the health and general welfare of United States citizens against air pollutants. The act prescribes the measures that federal agencies, state and local governments, and polluters in business and industry must take in order to decrease air pollution in the country. This act was last amended in 1990.

Also in the United States, oil and gas rights to a particular parcel may be owned by private individuals, corporations, Indian tribes or by local, state or federal governments. Oil and gas rights extend vertically downward from the property line. Although oil and gas laws vary by state, the laws regarding ownership prior to, at and after extraction are nearly universal. An owner of real estate also owns the minerals

underneath the surface, unless the minerals are severed under a previous deed or an agreement. In Louisiana, mineral rights can only be reserved (held by the seller of surface property) for ten (10) years, either from the date of sale or from the date of the last exploration activity or production of minerals from the land. If there is no mineral development on the property in that time period, the mineral rights then automatically transfer to the current surface owner.

In the United States, energy is regulated extensively through the United States Department of Energy. Domestic natural gas markets are regulated in part by the Federal Energy Regulatory Commission ("FERC"). FERC's chief area of concern is the interstate natural gas market. Natural gas moves for the most part by pipeline in the United States. The safety of those pipelines is the concern of the Department of Transportation's Office of Pipeline Safety.

In Louisiana, the Office of Conservation has primary statutory responsibility for regulation and conservation of oil, gas, lignite, and other natural resources. The Conservation's objectives are: to conserve oil, gas, and lignite resources; to regulate the exploration and production of oil, gas and other hydrocarbons and lignite; to control and allocate energy supplies and distribution; and to protect public safety and the State's environment from oilfield waste, including regulation of underground injection and disposal practices.

The Geological Oil and Gas Division of the Office of Conservation administers a regulatory program to prevent waste of oil and gas and the drilling of unnecessary wells; protects individual property rights' and conserves the state's natural resources in a geologically-approved manner. The Geological Oil and Gas Division is comprised of three sections: Orders Management, Digital Mapping and Subsurface Study and Data Management.

The Louisiana Department of Transportation and Development regulates state and local roads that may be used or created in drilling the Prospect.

Mineral rights are real rights under Louisiana law and may be owned, conveyed, reserved or inherited separately from other elements. Basic mineral rights under Louisiana law include the mineral servitude, the mineral royalty and the mineral lease. These rights are real rights and are subject either to the prescription of nonuse for ten (10) years or to special rules of law governing the term of their existence. Ownership of land does not include ownership of oil, gas and other liquid or gaseous minerals; however, the landowner has the exclusive right to explore and develop his property for

the production of such minerals and to reduce them to possession and ownership. A detailed discussion of the prescription of nonuse is beyond the scope of this Report, but this concept of prescription in Louisiana mineral law is perhaps its most distinguishing feature. The Louisiana Mineral Code sets out fairly detailed provisions concerning the extinguishment of mineral interests by the running of the prescription of nonuse. Very generally speaking, if a mineral servitude is created without a specific term, prescription of nonuse commences running from the date of creation and accrues ten (10) years later unless interrupted by good faith drilling operations on or production obtained from the servitude tract or acreage pooled therewith. Prescription of nonuse running against a mineral royalty is interrupted by production from or attributable to the royalty tract. It is not necessary that production obtained from the royalty or servitude tract be in paying quantities. If the well in question is located on the servitude or royalty tract, prescription is interrupted as to the entirety of the tract. If, however, the well in question is a unit well which is located off of the royalty or servitude tract, unit operations and unit production interrupt prescription only as to that portion of the servitude or royalty tract situated within the unit. It should also be noted that a single mineral servitude or single royalty cannot extend to noncontiguous tracts of land; a separate mineral servitude or mineral royalty is created for each noncontiguous tract unless the instrument creating the mineral interest provides for more. A mineral lease is not subject to prescription but cannot be maintained in effect for more than ten (10) years without drilling operations or production.

Generally, an oil and gas company (the “**Lessee**”) leases the mineral rights from the owner (the “**Lessor**”). Major points in a lease include the description of the property, the term (duration), and the payments to the Lessor. Lessees of mineral rights have a right of reasonable access to leased land to explore, develop and transport minerals, unless the lease specifies otherwise. A lease remains in effect for a certain period of time, called the primary term, as long as the lessee pays the annual rental. The lease expires after the primary term, unless drilling or oil and gas production has started on the lease. If production is established, the lease will remain in effect past the primary term, as long as the lease continuously produces oil or gas.

A mineral lease is defined in the Louisiana Mineral Code as being a contract by which the lessee is granted the right to explore for and produce minerals. A mineral lease is considered to be a real right and an incorporeal immovable which is alienable and inheritable. In contrast to a mineral servitude or mineral royalty, a mineral lease is not subject to prescription of nonuse, but Louisiana oil and gas lease cannot provide for a primary term greater than ten (10) years.



Payments to the Lessor typically take three forms: bonus, rental, and royalty. The bonus is an up-front payment made at the time the lease takes effect. The rental is an annual payment, usually made until such time as the property begins producing oil or gas in commercial quantities. The royalty is a portion of the value of any oil or gas produced from the lease.

In Louisiana, the Commissioner of Conservation classifies wells as either oil or gas wells depending upon the nature of the hydrocarbons in the reservoir. This is determined by various tests and analyses. Classification can be important for such things as: setting of allowables by the Commissioner; lease maintenance questions such as the size of a declared unit that may be formed by the lessee or whether shut-in payments can be made to maintain the lease; and, for royalty paying purposes where different royalty provisions exist for gas and oil.

The State of Louisiana regards pooling or unitization of oil and gas reservoirs in Louisiana as a critical activity achieved by industry and state government working together, important to mineral rights owners because of the economic gain once a well is produced. At the request of an applicant or operator, an oil or gas unit is established for a sand, a zone, or a shale or formation. The purpose of unitization as viewed by the State of Louisiana is to allow maximal recovery of the resource, prevent drilling unnecessary wells and protect the rights of the mineral owners.

The size of development well units in Louisiana is 640 acres or about one square mile. All mineral ownership within the 640-acre unit is initially shared in the production of a single well located within that unit on a surface-acre basis.

Pooling is sometimes used interchangeably with unitization. It may also be used in connection with the conventional cross-conveyances by which mineral rights of two or more owners are combined so that the combined properties may thereafter be explored and developed as a unit and benefits proportionately shared by the contributing owners. Insofar as unitization is concerned, in Louisiana, units generally fall into three (3) categories: compulsory units, created by the Commissioner of Conservation; declared units, created by declaration under the terms of mineral leases giving the lessee pooling power; and voluntary units, created by agreement of all parties having an interest in the mineral rights and land included within the unit.

The Commissioner also regulates the spacing of wells. In the absence of special field rules or exemptions, oil wells must be located no closer than 330 feet from any property line and 900 feet from any well completed in, drilling to or permitted for the same pool. Gas wells must not be located closer than 330 feet from any property line,

nor closer than 2,000 feet from any well completed in, drilling to or permitted for the same pool.

The Clerk of Court in the Parish where the Prospect is located is the office to go to find legally recorded documents such as leases, deeds and mortgages related to the Prospect. Mineral leases, as is the case with other mineral rights, are real rights, and recording rules applicable to mineral rights are the same as for land. Any contract or agreement affecting mineral rights must be in writing and must be recorded in the parish in which the property is located to affect third parties. An unrecorded instrument would affect parties to the instrument and their heirs. The fact that a third party has actual notice of an instrument does not make it binding on him. The public records doctrine in Louisiana is negative in nature; i.e., the third party is entitled to ignore those unrecorded instruments and interests which, under law, are required to be recorded. Third parties are not allowed to affirmatively rely upon recorded, but legally ineffective or invalid instruments.

Louisiana is a pure "race" jurisdiction. The first person to record his interest of record prevails over a party holding under a subsequently recorded instrument even if it was previously executed.

### **Status and Validity of the Prospect**

The Prospect was generated on behalf of Caza by Ledgerock pursuant to a consulting services agreement with Caza between September 2008 and April 2009, utilizing Caza's licensed 3-D data set in Louisiana where the Prospect is located. The data was re-processed and the Prospect was identified, mapped and submitted to Caza for acceptance. Upon acceptance, Ledgerock became entitled to an ORRI in the Prospect. The Prospect covers approximately 2,000 acres. I have reviewed maps of the Prospect and its location in Louisiana.

I corresponded via email with W. Michael Ford, Chief Executive Officer and President of Caza, and I spoke by telephone and corresponded via email with Richard R. Albro, Vice President, Land, of Caza regarding the status of the Prospect. As of May 11, 2010, the Prospect is currently expected to be spud mid-August, 2010 to allow for the unitization process. As reported in Caza's annual information form filed with SEDAR on March 29, 2010 ("**Annual Report**"), Caza has a 50% working interest (37.5% Net Revenue Interest) in the Prospect and was in discussions to farm out a portion of its interest in this property and planned to drill the Prospect, as operator, in the latter part of 2010.

The well plan is close to being finalized, which is expected to be thirty to forty-five days prior to the spud date. Caza is in process of buying pipe.

### **Caza as Lessee of Properties covering Prospect**

Mr. Albro represented that Caza has leased approximately 550 acres covering the Prospect in Louisiana. This information is also reported publicly in Caza's Annual Report. Copies of eleven (11) leases covering 545.33 net acres as filed with the parish where the prospect is located were sent by Caza to me for review. The leases are all file-stamped to have been filed on behalf of Caza on March 10, 2010. All leases were procured by Petro-Land Resources, Inc. of Lafayette, Louisiana. The contact with Petro-Land Resources, Inc. is Phil Thomas.

Messrs. Ford and Albro also stated that Caza is under negotiations for an additional 550 acres in the same trend related to the Prospect, which is expected to close within the next couple of weeks as the "essential" terms have been agreed. Caza's mineral rights on these acres will relate only to deep rights as shallow zones are already producing in the acreage.

### **Environmental or Native Title Issues Affecting Prospect**

Messrs. Ford and Albro of Caza and Mr. Thomas of Petro-Land Resources, Inc. all confirmed that they were not aware of any environmental or native title issues affecting the Prospect at this time. Messrs. Albro and Thomas indicated that Caza intends upon closing on the pending farm in, to engage Tim Morton & Associates, an environmental consulting group, to conduct an evaluation prior to drilling the Prospect. Caza also stated it intends to have a drilling title opinion rendered after the transaction for the additional acres is closed.

The current drilling location is located on the pending acres. Mr. Albro discussed that the drilling location may be moved due to close proximity to an airport and a waterway if an issue arises. The FAA may have to approve the current location and the State of Louisiana always is concerned when a drilling site is close to a waterway. However, at this point, it is not considered an issue as numerous shallower wells are drilled in the acreage.

## **Other Due Diligence Matters**

### **(a) Pending, Threatened or Actual Litigation**

Messrs. Ford and Albro both reported that they currently are not aware of any material pending, threatened or actual litigation. However, both discussed one pending lawsuit with a non-participating royalty interest owner in Wharton County, Texas. The royalties accrued to such owner have been escrowed and the judge in Wharton County, Texas has ordered that the parties submit to mediation to resolve the matter.

Robert J. Rosenthal, President of Vendor, represented that he is not aware of any material pending, threatened or actual litigation. However, he reported that the Vendor had received one related party notice in connection with the Chapter 7 bankruptcy proceeding of BNP Petroleum. Vendor is involved in a project on Padre Island with BNP. The related notice involves a creditor of BNP whose claim is approximately U.S. \$35,000 to U. S. \$45,000.

### **(b) Participation Agreement between Vendor and Caza and Operating Agreement between Vendor, Caza and Caza Operating LLC (“Operator”)**

*All terms used in this section and not defined herein have the meaning as assigned in the Participation Agreement or Operating Agreement, as applicable.*

#### ***Participation Agreement.***

I was provided with an originally executed Participation Agreement dated March 1, 2010 between Caza and Vendor (the “**Participation Agreement**”). Pursuant to the Participation Agreement, Vendor was granted an undivided 37.5% interest in the Prospect. A map of the Prospect is attached to the Participation Agreement as Exhibit A. An Authorization for Expenditure (“**AFE**”) prepared by Caza related to the Prospect is attached as Exhibit B. The AFE indicates that total costs for drilling the test well on the Prospect to completion will be \$7,231,078, with dry hole costs of \$5,527,815.

The principal terms of the Participation Agreement include a Prospect Fee of \$394,500, calculated at the rate of \$10,520 per 1% participation interest in the Prospect. Any costs incurred after March 1, 2010 are not included in the Prospect Fee and will be billed in accordance with the Operating Agreement (as defined below). Vendor agreed to participate to the full extent of its 37.5% Participation Interest in drilling to the casing point of the Test Well and to bear (i) a promoted 50% share of all costs incurred to the

casing point of the Test Well or through plugging and abandoning of the Test Well if it is a dry hole; and (ii) if Vendor elects to participation in completion, its unpromoted 37.5% share of all costs in completion. An election not to participate in completion is governed by the Operating Agreement. The Test Well is estimated to test a formation located at approximately 16,000 feet. Caza will pre-bill Vendor for its promoted share of estimated dry hole costs approximately thirty (30) days prior to spudding the well.

Vendor has a right to participate on Subsequent Wells on an unpromoted basis to the full extent of its Participation Interest in any additional wells that may be drilled on the Prospect Area. If Vendor declines or is deemed to have declined to participate in the drilling of any Subsequent Well, Vendor forfeits all rights, titles and interest to Caza in the proration unit for the applicable Subsequent Well down to 100 feet below the deepest dept actually drilled or if no applicable proration rules, 40 acres for an oil well and 320 acres for a gas well; however, Vendor will not forfeit any rights under any previously earned proration units under the Participation Agreement.

Assignments of interest by Caza of Vendor's Participation Interest will be done on a well by well basis as and when earned, with special warranty of title only and without any other representation or warranty by Caza. There is an express limitation on participation in the Participation Agreement that the Participation Agreement is intended solely for the benefit of the parties to the Participation Agreement and is not a contract for the benefit of any third party. Caza consented to the transfer of all or any portion of Vendor's rights to an "accredited investor" that is publicly traded on the Australian Securities Exchange and that is knowledgeable and experienced investor in oil and gas leasehold rights and the drilling of exploratory wells, is aware of and carefully considered all risks in the participation rights, is acquiring its interest for its own account for investment and not to resale. The United States federal securities laws define the term accredited investor as:

1. a bank, insurance company, registered investment company, business development company, or small business investment company;
2. an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million;
3. a charitable organization, corporation, or partnership with assets exceeding \$5 million;
4. a director, executive officer, or general partner of the company selling the securities;

5. a business in which all the equity owners are accredited investors;
6. a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds \$1 million at the time of the purchase;
7. a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or
8. a trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

Liability is several and not joint or collective. Vendor agreed to not compete, directly or indirectly with Caza in the Prospect Area for five (5) years. Vendor accepted the participation rights without any representation or warranty of any kind by Caza except as expressly set forth in the Participation Agreement. The Participation Agreement is governed by the laws of the State of Texas. Vendor was also granted the right, without obligation, to participate in another prospect in the same parish in which the Prospect is located on substantially the same terms as the Prospect.

### ***Operating Agreement.***

I have also been provided with an originally executed Operating Agreement, also dated as of March 1, 2010 (the "**Operating Agreement**"). The form of operating agreement used is the standard American Association of Petroleum Landmen Form 610 – 1989. Caza Operating, LLC is designated as the Operator and Vendor as Non-Operator.

Operator will cause an examination of title by outside attorneys and copies of all title opinions will be furnished to each Drilling Party. A Drilling Party would include Vendor unless Vendor elects to not participate in the applicable well. Any failure of title, other than through Operator's gross negligence or willful act, shall be joint losses borne by all parties proportionately.

Under the Operating Agreement, an area of mutual interest ("**AMI**") is created between the parties for a period of five (5) years. If any party to the Operating Agreement acquires, directly or indirectly, any leasehold, mineral or royalty interest partially or wholly within in the Contract Area, such party must give the other parties notice within thirty (30) days of such acquisition. The other parties have the option to participate in such acquisition to the extent of its working interest on a proportionate basis that the other parties elect to participate.

Operator is to use its best efforts to notify all parties in writing of its recommendation regarding payment of delay rentals or shut-in royalties under any leases at least forty-five (45) days before payment is due.

The Operating Agreement contains a confidentiality provision for two (2) years from the date of the Operating Agreement related to any geophysical data involving the Contract Area or any drilling information other than depth and information customarily published without written consent of all parties, such consent not to be unreasonably withheld.

No party is to issue a press or other news release, or distribute any information concerning the premises without the prior approval of all parties, again, approval not to be unreasonably withheld, except as required by law or regulation. The only exception is in an emergency involving extensive property damage, operations failure, loss of human life or other clear emergency. In such case, Caza as Operator is authorized to furnish minimum, strictly factual information to satisfy the legitimate public interest if time does not allow obtaining prior approval. Operator shall promptly advise the other parties of this furnished information.

If a pipeline or gathering line is proposed to be constructed by any party to the Operating Agreement, the other parties have the right to participate on a ground floor basis.

The Operating Agreement is governed by the laws of the State of Texas.

Exhibits to the Operating Agreement are as follows:

Exhibit A: Description of lands subject to agreement, restrictions as to depths, formations, or substances, if any, parties to the agreement, percentages or fractional interests of parties to the agreement, leases and/or interests subject to the agreement, and burdens on production.

Exhibit A-1: Map of the Contract Area

Exhibit B: None

Exhibit C: Accounting Procedure. The COPAS 2005 Accounting Procedure on Accounting Procedures Joint Operations is adopted.

Exhibit D: Insurance Schedule. Includes, but not limited to, Workers Compensation at statutory coverage in Louisiana. Employers Liability is \$1,000,000 for each of: bodily injury each accident, bodily injury by disease policy limit, and bodily injury by disease each employee; including waiver of subrogation, 30 days notice of cancellation and alternative employer/borrowed servant endorsement. General Liability is \$1,000,000 per occurrence, combined single limit bodily injury and property damage each occurrence, \$2,000,000 aggregate.

Exhibit E: A.A.P.L. Form 610-E Gas Balancing Agreement.

Exhibit F: None.

Exhibit G: Tax Partnership

Exhibit H: Model Form Recording Supplement to Operating Agreement and Financing Statement.

**(c) Financial capability and technical expertise of Operator**

*All dollars are in U.S. dollars.*

According to its public filings, Caza and its predecessors by merger have been engaged in oil and natural gas exploration and development activities in Texas and Louisiana since October 2000. Caza Operating, LLC, is a Texas limited liability company, wholly owned by Caza. Specific examples of Caza's experience in Louisiana as reported are:

1. During 2006, Falcon Bay, a predecessor to Caza, drilled and completed an exploration well in the Dulac Field located in Terrebonne Parish, Louisiana. The well was completed as a natural gas producer and commenced production in December of that year.
2. The Bell Minerals #1 Well, located on the Alligator property in Calcasieu Parish, Louisiana, reached its target depth of 9,400 feet in the Hackberry Section on January 16, 2008. The well was then logged but did not encounter hydrocarbons.
3. The Thisco #3 well, operated by Key Operating and located on the Haakon property in St. Landry Parish, Louisiana, reached a total depth of 8,232 feet on October 17, 2008. Based on electric logs and sidewall core



data the well was completed in the Frio formation and production testing commenced.

Caza has reported numerous wells in Texas and New Mexico in which it has served as Operator, including a recent press announcement on the successful drilling of a well on April 22, 2010.

According to Caza's financial statements for the year ended December 31, 2009, as audited by Deloitte & Touche LLP, Caza's cash and cash equivalents were \$9,268,547, representing a decrease of \$4,835,280 as compared to year end 2008. Further, all of Caza's exploration activities are conducted jointly with others. For 2009, Caza posted a loss before taxes of \$3,720,803, as compared with a loss before taxes of \$4,657,550 for year end 2008. Caza's net working capital for year ended 2009 was \$8,376,463, as compared to \$10,812,048 for year ended 2008.

## **Conclusion**

This Report is prepared as requested to assist the Company in its due diligence in connection with the Company's Participation Agreement with Vendor which grants the Company the right to earn a 30% working interest in the Prospect. The information gathered, reviewed and presented in this Report is intended to assist the Company in coming to informed conclusions as to the confirmations and determinations sought in the tenure report requirements set forth in the Memorandum dated April 8, 2010 from Steinepreis Paganin, Lawyers & Consultants, to the Company.

Please advise if additional information is required on the information provided in this Report or if additional due diligence is required. I can be reached at 713-806-6212, [kbd@kbduncanlaw.com](mailto:kbd@kbduncanlaw.com), or 54 Mill Point Place, The Woodlands, TX 77830.

Respectfully Submitted,

**Karen Bryant Duncan, PLLC**

By:



Karen Bryant Duncan  
Attorney at Law

Dated: May 11, 2010

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## **12. ADDITIONAL INFORMATION**

### **12.1 Rights attaching to Shares**

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

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### **(a) General Meetings**

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

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

#### **(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 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 Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such 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**

The Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend. Subject to the rights of any preference Shareholders and to the rights of the holders of any shares credited or raised under any special arrangement as to dividend, the dividend as declared 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 in accordance with Part 2H.5 of Chapter 2H of the Corporations Act.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the 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 Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, 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 Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, 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 Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Transfer of Shares**

Generally, Shares 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 or the ASX Listing Rules.

(f) **Future Increase in Capital**

The allotment and issue of any new shares in the Company is under the control of the Directors. Subject to restrictions on the issue or grant of 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 Directors may issue shares as they shall, in their absolute discretion, determine.

(g) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of 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 the Company 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.

## 12.2 Options

As at the date of this Prospectus, the Company has 31,132,465 Options on issue.

As disclosed in capital structure set out in Section 4.7 of this Prospectus, the Company intends to issue a further 6,367,535 Options pursuant to the shortfall to the Entitlement Issue and up to a further 37,500,000 Options pursuant to the Option Placement (subject to obtaining Shareholder approval at the General Meeting).

The Options to be issued pursuant to this Prospectus entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5.00pm (WST) on 31 May 2011 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.20 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (b) (**Exercise Notice**).
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (i) The Company will apply for quotation of the Options on ASX.

- (j) The Company will also apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

### 12.3 Material Contracts

#### (a) Farmout Agreement

As announced to ASX on 26 March 2010, the Company entered into a farmout agreement with Pass Petroleum LLC (a company registered in California) (**Pass Petroleum**) pursuant to which Pass Petroleum granted to the Company the exclusive right to earn a 30% working interest in the Amazon Prospect (**Farmout Agreement**) and the option to earn a 30% working interest in another oil and gas prospect located in Acadia Parish, Louisiana, United States of America (**Thames Prospect**).

The material terms and conditions of the Farmout Agreement are as follows:

- (i) (**Conditions Precedent**): the Farmout Agreement is conditional upon the Company obtaining all necessary regulatory and shareholder approvals on or before 14 May 2010 (**End Date**). If the condition is not satisfied or waived by the parties on or before the End Date, the Farmout Agreement will be deemed to be at an end and of no further force or effect;
- (ii) (**Grant of Exclusive Right**): Pass Petroleum irrevocably grants to Company the exclusive right to earn a 30% working interest in the Amazon Prospect from Pass Petroleum in return for the Company paying to Pass Petroleum:
  - (A) the refundable sum of US\$197,250 (**Deposit**); and
  - (B) 50% of the estimated dry hole cost of the Test Well, being US\$5,527,815 (**Test Well DHC**). As such, the Company's share of the Test Well DHC is estimated to be US\$2,763,908;
- (iii) (**Acknowledgement**): Pass Petroleum acknowledges and agrees that if:

- (A) the spudding of Test Well does not occur within 180 days of the date of the Farmout Agreement; or
- (B) the Company's share of the Test Well DHC is revised, amended or increased so that it exceeds the amount estimated above by 10% or more,

the Company will be entitled to terminate the Farmout Agreement and, in which case, the rights and obligations of the parties shall be deemed to be at an end and the parties shall be discharged from all liabilities under the Farmout Agreement;

- (iv) **(Refund of Deposit):** Pass Petroleum further acknowledges and agrees that if the Company terminates the Farmout Agreement as a result of the occurrence of the event described in Section 1.1(a)(iii), Pass Petroleum will refund the Deposit to the Company within 3 days of the Company notifying Pass Petroleum that it has elected to terminate the Farmout Agreement;
- (v) **(Participation):** to the extent that the Company elects to participate in any completion attempt at the casing point election of the Test Well pursuant to the operating agreement between Caza Operating LLC (a company registered in Delaware), Caza Petroleum, Inc. (a company registered in Delaware) and Pass Petroleum (**Operating Agreement**), its share of all costs incurred in completing and equipping or plugging and abandoning the Test Well shall be on an unpromoted basis and in proportion to its working interest at the time. For clarification, the Company shall be obliged to pay 30% of the Test Well completion costs (estimated to be US\$1,703,263) (**Test Well Completion Cost**) and, as such, the Company's share of the Test Well Completion Cost is estimated to be US\$468,397;
- (vi) **(Back-in Option):** at its sole election, Pass Petroleum has the right to acquire a 2.5% working interest in the Amazon Prospect from the Company at the casing point election of the Test Well (**Back-in Option**). If Pass Petroleum elects to exercise its Back-in Option which it must do so within 2 days from setting casing of the Test Well, then it will pay the Company a penalty payment of US\$447,462;
- (vii) **(Assignment of Working Interest):** Pass Petroleum will assign to the Company its working interest in applicable leases on a well by well basis as and when earned by the Company;
- (viii) **(Additional Exclusive Right):** Pass Petroleum agrees that the Company shall have the exclusive right to participate in the Thames Prospect on substantially the same terms as its participation in the Amazon Prospect (i.e. it will have the right to acquire a 30% working interest upon bearing 30% of the prospect fee and geological/geophysical costs, 50% of acreage, drilling and completion or plugging and abandonment costs on the test well and 30% of all subsequently incurred costs). To this end, Pass Petroleum shall grant such exclusive right of participation to the Company within a proposed authority for expenditure for the test well at

least 30 days prior to commencement of actual drilling operations on such Test Well;

- (ix) **(Representations and Warranties)**: the Farmout Agreement contains standard mutual representations and warranties for an agreement of this nature; and
- (x) **(Applicable Law)**: the Farmout Agreement is governed by and construed in accordance with the laws of the State of Louisiana, United States of America.

## 12.4 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offer.

### **Remuneration**

The Constitution provides that the remuneration of Directors will be not more than the aggregate fixed sum initially set by the Constitution and subsequently varied by ordinary resolution of Shareholders in general meeting. The current aggregate fixed sum permitted as remuneration of Directors has been set at an amount not to exceed \$250,000 per annum.

In addition, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Company paid to its Board a total of NZ\$109,666.42 for the year ended 31 March 2009. The total remuneration paid to each of the Directors in the financial year ended 31 March 2010 and the proposed remuneration for the current financial year is set out in the table below.

Director	Remuneration	
	Financial Year Ended 31 March 2010	Current Financial Year
Keith Goodall	\$20,950	NZ\$60,000 <sup>1</sup>
Garry Ralston	\$12,500	\$30,000
Mathew Walker	\$45,900	GB£120,000 <sup>2</sup>

<sup>1</sup> Based on an exchange rate of 1.2445 (\$:NZ\$) as at 10 May 2010 this equates to \$48,210.

<sup>2</sup> Based on an exchange rate of 0.6081 (\$:GB£) as at 10 May 2010 this equates to \$197,335.

### **Security holdings**

Directors are not required under the Constitution to hold any Shares, however, Directors' relevant interests in securities of the Company at the date of this Prospectus are set out in the table below.

Director	Shares	Options
Keith Goodall	4,000,000	2,000,000
Garry Ralston	6,000,000	3,000,000
Mathew Walker	13,750,000	6,875,000

### **Other interests**

Mathew Walker has entered into an executive services agreement with the Company effective from 1 April 2010. Mr Walker will be paid an annual remuneration of GB£120,000. The initial term is 1 year with an option to extend for a further 1 year. This agreement is subject to standard termination provisions under which the Company must give up to 3 months notice of termination, or alternatively, payment in lieu of service. In addition, Mr Walker is entitled to all unpaid remuneration and entitlements up to the date of termination.

Mathew Walker, a Director, has a relevant interest in approximately 1.78% of the shares on issue in Pass Petroleum LLC. As set out in Section 12.3(a) of this Prospectus the Company has entered into the Farmout Agreement with Pass Petroleum LLC.

Mathew Walker is also a director of, and the holder of a 40% interest in, Cicero Corporate Services Pty Ltd (**Cicero**). Cicero currently receives a monthly fee of \$5,000 (excluding GST) from the Company in respect of rent and administration services it provides to the Company.

Mathew Walker, a Director, has a relevant interest in 6% of the shares on issue in ACNS Capital Markets Pty Ltd (ACN 088 503 208) trading as Alto Capital. The Company is to pay Alto Capital a fee of \$10,000 (excluding GST) in relation to the Option Placement and placement of the shortfall to the Entitlement Issue.

## **12.5 Interests of Experts and Advisers**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;



- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Isis Petroleum Consultants Pty Ltd has acted as Independent Geologist and has prepared the Independent Geologist's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay Isis Petroleum Consultants Pty Ltd a total of \$40,550 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Isis Petroleum Consultants Pty Ltd has not received any fees from the Company.

HLB Mann Judd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 10 of this Prospectus. The Company estimates it will pay HLB Mann Judd a total of \$8,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, HLB Mann Judd has not received any fees from the Company.

Karen Bryant Duncan has acted as the Company's US Tenure Adviser in relation to the Offer and has prepared the Report on US Tenure which is included in Section 11 of this Prospectus. The Company estimates it will pay Karen Bryant Duncan US\$10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Karen Bryant Duncan has not received any fees from the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$45,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees from the Company in the amount of \$51,517.50 (excluding GST and disbursements).

## 12.6 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Isis Petroleum Consultants Pty Ltd has given his written consent to being named as Independent Geologist in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 9 of this Prospectus in the form and context in which the report is included. Isis Petroleum Consultants Pty Ltd has not withdrawn his consent prior to lodgement of this Prospectus with the ASIC.

HLB Mann Judd has given its written consent to being named as auditor to the Company and Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 10 of this Prospectus in the form and context in which the information and report is included. HLB Mann Judd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Karen Bryant Duncan has given its written consent to being named as the Company's US Tenure Adviser in this Prospectus and to the inclusion of the Report on US Tenure in Section 11 of this Prospectus in the form and context in which the report is included. Karen Bryant Duncan has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## 12.7 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$170,000 for minimum subscription or \$225,000 for full subscription and are expected to be applied towards the items set out in the table below:

<b>Item of Expenditure</b>	<b>Minimum Subscription (\$)</b>	<b>Full Subscription (\$)</b>
ASIC fees	2,010	2,010
ASX fees	6,950	10,150
Broker Commissions	50,000	100,000
Legal Fees	45,000	45,000
Independent Geologist's Fees	40,550	40,550
Investigating Accountant's Fees	8,500	8,500
US Tenure Adviser's Fees <sup>1</sup>	11,015	11,015
Printing and Distribution	2,000	2,000
Miscellaneous	3,975	5,775
<b>TOTAL</b>	<b>170,000</b>	<b>225,000</b>

<sup>1</sup> An exchange rate of 0.9077 (\$:US\$) as at 10 May 2010 has been used to convert the fees to be paid to the US Tenure Adviser which are stated in US dollars.

## **12.8 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

## **12.9 Electronic Prospectus**

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at [www.brainzinstrumentstfd.com](http://www.brainzinstrumentstfd.com).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **12.10 Financial Forecasts**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

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**13. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

A handwritten signature in black ink, consisting of three distinct, rounded loops followed by a short horizontal stroke.

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**Mathew Walker**  
**Non-Executive Director**  
**For and on behalf of**  
**BRAINZ INSTRUMENTS LIMITED**

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## 14. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**\$** means an Australian dollar.

**Amazon Prospect** means the oil and gas prospect located in Acadia Parish, Louisiana, United States of America in which the Company has the right to earn a 30% working interest pursuant to the terms and conditions of the Farmout Agreement.

**Application Form** means the application form attached to or accompanying this Prospectus relating to the Offer.

**ASIC** means Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691).

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

**Board** means the board of Directors as constituted from time to time.

**Closing Date** means the closing date of the Offer as set out in Section 4.2 of this Prospectus (subject to the Closing Date being extended or the Offer being closed early).

**Company** means Brainz Instruments Limited (to be renamed Tango Petroleum Limited) (ACN 116 829 675).

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

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

**Directors** means the directors of the Company at the date of this Prospectus.

**Entitlement Issue** means the pro-rata non-renounceable entitlement issue of up to 37,500,000 Options on the basis of 1 Option for every 2 Shares held at the specified record date being undertaken by the Company pursuant to a prospectus dated 7 April 2010.

**Farmout Agreement** means the farmout agreement entered into between the Company and Pass Petroleum LLC (a company registered in California) as summarised in Section 12.3(a) of this Prospectus.

**General Meeting** means the general meeting of Shareholders to consider, amongst other things, a change in nature and scale of the Company's activities and the issue of Shares the subject of the Offer.

**Offer** means the offer of Securities pursuant to this Prospectus as set out in Section 5 of this Prospectus.

**Official List** means the official list of ASX.

**Official Quotation** means official quotation by ASX in accordance with the ASX Listing Rules.

**Option** means an option to acquire a Share exercisable at 20 cents each on or before 31 May 2011.

**Optionholder** means a holder of Options.

**Option Placement** means a placement by the Company of up to 37,500,000 Options subject to obtaining Shareholder approval at the General Meeting.

**Prospectus** means this prospectus.

**Securities** means Shares and Options.

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

**Shareholder** means a holder of Shares.

**Thames Prospect** means the oil and gas prospect located in Acadia Parish, Louisiana, United States of America in which the Company has the right to earn a 30% working interest pursuant to the terms and conditions of the Farmout Agreement.

**WST** means Western Standard Time as observed in Perth, Western Australia.

Broker Stamp / Advisor Code

# APPLICATION FORM

**BRAINZ INSTRUMENTS LIMITED**  
(TO BE RENAMED TANGO PETROLEUM LIMITED)  
ACN 116 829 675  
(Company)

**Return to:**  
Brainz Instruments Limited  
PO Box 281  
West Perth Business Centre  
WEST PERTH WA 6872

**On or before:**  
5.00pm (WST) on 31 May 2010\*

\* The Company reserves the right to extend the closing date or close the offer early without notice.

**BEFORE COMPLETING THIS APPLICATION FORM YOU SHOULD READ THE PROSPECTUS DATED 12 MAY 2010 AND THE INSTRUCTIONS OVERLEAF**

**I/We apply for:**

Shares\* at \$0.20 per Share = AUD\$

in the Company or such lesser number of Shares which may be allocated to me/us by the directors of the Company.

\* One option (exercisable at \$0.20 each on or before 31 May 2011) will be issued free attaching for every one Share subscribed for and issued.

**I/We lodge full application monies of:**

for the above Shares

**Full name** (Title, Given Name/s & Surname or Company name) (PLEASE PRINT)

**Joint Applicant #2** or <designated account>

**Joint Applicant #3** or <designated account>

**Postal Address** (PLEASE PRINT)

Street Number Street

Suburb/Town

State

Post code

**Contact Name**

Telephone number (including area code)

**CHESS HIN** (where applicable)

**Existing SRN** (where applicable)

**Tax File Number, ABN or Exemption**

Applicant #2

Applicant #3

**CHEQUE DETAILS** (made payable to **Brainz Instruments Limited – Share Offer Account** and crossed “**Not Negotiable**”)

Drawer

Bank

BSB

Amount of cheque

**Declaration and statements:**

By lodging this application form:

- I/We declare that all details and statements made by me/us are complete and accurate;
- I/We agree to be bound by the terms and conditions set out in the prospectus and by the constitution of the Company;
- I/We acknowledge that the Company will send me/us a paper copy of the prospectus and any supplementary prospectus (if applicable) free of charge if requested during the currency of the prospectus;
- I/We authorise the directors of the Company to complete and amend this application form where necessary to correct any errors or omissions;
- I/We authorise the Company to complete and execute any documentation necessary to effect the issue of Shares to me/us;
- I/We have received personally a copy of the prospectus accompanied by or attached to this application form or a copy of the application form or a direct derivative of the application form before applying for Shares; and
- I/We acknowledge that returning the application form with the application monies will constitute my/our offer to subscribe for Shares in the Company and that no notice of acceptance of the application will be provided.

**TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 12 MAY 2010 AND ANY RELEVANT SUPPLEMENTARY PROSPECTUS.**

# APPLICATION FORM INSTRUCTIONS

Please complete all parts of the application form using **BLOCK LETTERS**.

## A. Application for Shares

Insert the number of Shares you wish to apply for.

The application must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

## B. Name of applicant

Use correct forms of registrable name (see below). Applications using the wrong form of name may be rejected.

If Joint Applicants are applying, a maximum of three may register. If using a designated account please set out these details in brackets.

Current CHESSE participants should complete their name and address in the same format as they are presently registered in the CHESSE system.

## C. Address details

Enter your postal address for all correspondence. If the postal address is not within Australia, please specify the country after Suburb/Town.

## D. Contact details

Provide a contact name and telephone number in the event the Company needs to discuss an irregularity in respect of your application form.

## E. CHESSE HIN / SRN details (if applicable)

The Company is an issuer sponsored participant in the ASX CHESSE System.

If you are already a broker sponsored participant in this system, you may complete the CHESSE HIN details or forward your application form to your sponsoring broker for submission prior to lodgement.

If you are an existing shareholder with an issuer sponsored account you may complete the Existing SRN details.

If you are not already broker or issuer sponsored your Shares will be automatically issuer sponsored on allotment.

## F. Tax file number, ABN or exemption

The collection of tax file number (**TFN**) information is authorised and the tax laws and the Privacy Act strictly regulate its use and disclosure. Please note that it is not against the law not to provide your TFN or claim an exemption, however, if you do not provide your TFN or claim an exemption, you should be aware that tax will be taken out of any unfranked dividend distribution at the maximum tax rate.

If you are completing the application with one or more joint applicants, and you do not wish to disclose your TFN or claim an exemption, a separate form may be obtained from the Australian Taxation Office to be used by you to provide this information to the Company. Certain persons are exempt from providing a TFN. For further information, please contact your taxation adviser or any Taxation Office.

## G. Payment and lodgement

Cheques must be drawn on an Australian bank. The amount of the cheque should agree with the amount of Shares you are applying for.

Forward your completed application form together with the appropriate application money in the manner set out on the top right hand corner of the application form.

## H. Declaration

There is no requirement to sign the application form.

By lodging the application form you are taken to have made to the Company the declarations and statements set out on the form.

## I. Queries

If you have any questions on how to complete the application form, please telephone the Company on (08) 6460 4960.

## CORRECT FORM OF REGISTRABLE TITLE

Only legal entities are allowed to hold securities. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of the correct forms of registrable names below:

TYPE OF INVESTOR	CORRECT FORM OF REGISTRATION	INCORRECT FORM OF REGISTRATION
Individual <i>Use given names in full, not initials</i>	Mr John Alfred Smith	J A Smith
Company <i>Use the company's full title, not abbreviations</i>	ABC Pty Ltd	ABC P/L or ABC Co
Joint holdings <i>Use full and complete names</i>	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts <i>Use trustee(s) personal name(s), Do not use the name of the trust</i>	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates <i>Use the executor(s) personal name(s)</i>	Ms Jane Mary Smith & Mr Frank William Smith <Estate John Smith A/C>	Estate of Late John Smith, or John Smith Deceased
Minor (a person under the age of 18) <i>Use the name of a responsible adult with an appropriate designation</i>	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships <i>Use the partners' personal names. Do not use the name of the partnership</i>	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son