

Acer Energy Limited

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8 December 2011

Dear Shareholder

Opportunity to sell your small holding of Acer Energy Limited Shares**This letter contains important information about your Acer Energy Limited Shareholding and requires your immediate attention****Small Holdings Sale Facility**

Acer Energy recognises that as a small shareholder, you may find it difficult or expensive to dispose of your shares in Acer Energy. As a result, I am writing to all shareholders with a holding of Acer Energy Limited (**Acer Energy**) shares valued at less than A\$500 (referred to as **Small Holdings**) and who have a registered address in Australia, to offer them an opportunity to sell their holdings through a small holdings share sale facility (the **Small Holdings Sale Facility**) in accordance with Rule 13 of Acer Energy's constitution and Listing Rule 15.13.

Our records indicate that you are the holder of less than A\$500 worth of Acer Energy shares as at 7:00pm (AEDT time) on 5 December 2011 (i.e. **4,166 shares** or less), therefore your holding has been included in the Small Holdings Sale Facility. If the market value of your shareholding remains less than A\$500 on 23 January 2012, as detailed below, your Acer Energy shares will, subject to the terms and conditions in this letter, be sold and the proceeds from the sale remitted to you, unless you notify us otherwise.

Ultimately, it is your choice and you may elect to maintain your shareholding.

If you wish to sell your shares, you need take no action.

If you wish to retain your shares, please notify us of your intention, by following the share retention procedure set out below.

Rationale for the Small Holdings Sale Facility

Investors holding small numbers of shares may find it difficult or expensive to dispose of those shares through the normal means. Acer Energy is offering shareholders with Small Holdings a convenient and cost effective opportunity to sell their shares through the Small Holdings Sale Facility without incurring any brokerage fees, as outlined below. By implementing the Small Holdings Sale Facility, Acer Energy will reduce administration and share registry costs such as producing and distributing shareholding statements, annual reports, notices of meeting and other communications. Because the cost of maintaining shareholder accounts can be disproportionately high when compared with the dollar value of small shareholdings, Acer Energy would like to take this opportunity to encourage you to sell your existing holding.



What do you have to do?

If you wish to **retain** your Acer Energy shares, you must complete the enclosed 'Share Retention' form and return it in the enclosed envelope so that it is received by Acer Energy's share registry by **5:00pm (AEDT time) on 23 January 2012 (Closing Date)**, which is the end of the 6 week notice period mandated by Rule 13 of Acer Energy's constitution (**Notice Period**). If the market value of your Acer Energy shares increases during the Notice Period, due to an increase in the Acer Energy share price, so that your shares that were previously identified by Acer Energy as being a Small Holding are no longer worth less than A\$500 (i.e. their value becomes equal to or greater than A\$500) on the Closing Date, Acer Energy will not sell your shares. Alternatively, if you increase your holding of Acer Energy shares during the Notice Period such that it has a value of A\$500 or above, Acer Energy will not sell your shares. If you sell your Acer Energy shares prior to the end of the Notice Period, no further action will be taken. Forms can be returned to the postal or hand delivery address for Acer Energy's share registry listed on the 'Share Retention' form.

If you wish to participate in the Small Holdings Sale Facility, you do not need to take any action.

Sale process under the Small Holdings Sale Facility

Acer Energy has determined the Minimum Sale Price for the Small Holdings Sale Facility to be **A\$0.1217**, which is the weighted average sale price of Acer Energy's shares sold on ASX during a period of five consecutive trading days immediately before the date of this letter. Acer Energy may only sell a Small Holding for a price which is not less than the Minimum Sale Price. If Acer Energy is unable to sell the shares for at least the Minimum Sale Price, the sale of a Small Holding will not proceed.

If you do **nothing** (i.e. if you do not return a completed 'Share Retention' form and your Acer Energy shareholding remains valued at less than A\$500), your Acer Energy shares will be sold as soon as practicable following the Closing Date.

Shareholders will not pay any brokerage or handling fees related to the sale of shares under the Small Holdings Sale Facility. The price that will be paid to shareholders for each share sold through the Small Holdings Sale Facility will be the volume weighted average price received by Wilson HTM (the **Broker**) for the sale of all shares sold through the Small Holdings Sale Facility. All participants who have their shares sold under the Small Holdings Sale Facility will receive the same sale price per share, despite the fact that the market price of Acer Energy shares is subject to change from time to time, and the proceeds remitted to a shareholder for the sale of their shares under the Small Holdings Sale Facility may be more or less than the actual price that is received by the Broker for those shares.

The proceeds of the sale will be remitted to you as soon as practicable and it is expected that you will receive the proceeds of sale within 8 weeks of the Closing Date. The proceeds of the share sale will be sent to you by cheque at the address last recorded in Acer Energy's register of members unless you have provided direct credit instructions to Acer Energy. If you wish to update your direct credit instructions or registered address, please contact Link Market Services on 1300 554 474. Proceeds will be paid in Australia dollars.

If your shares are in a CHESS holding and remain in a CHESS holding on 23 January 2012, and your shares are to be sold under the Small Holdings Sale Facility, you should note that Acer Energy may, without further notice to you, sell the relevant shares while they remain in your CHESS holding, and may initiate a holding adjustment to move those shares to an issuer sponsored holding or a certificated holding for the purposes of that sale.



You do not have to sell your Acer Energy shares if you do not wish to. However, your shares will be sold under the Small Holdings Sale Facility (if they remain a Small Holding at the end of the Notice Period), unless you lodge a Share Retention form by 23 January 2012. You cannot sell part of your shareholding under the Small Holdings Sale Facility. If you are in any doubt, or if you require further information in relation to the possible taxation implications of participating in the Small Holdings Sale Facility, please consult your legal, financial or taxation adviser.

Timetable

The timetable for the Small Holdings Sale Facility is as follows:

Record date to determine Small Holdings	5 December 2011
Notice Date	8 December 2011
Closing Date	23 January 2012
Sale proceeds remitted to shareholders	As soon as practicable and, expected to be within 8 weeks of the Closing Date.

Please note the above timetable may be amended at any time by Acer Energy. Acer Energy reserves the right, for any reason, to extend the Notice Period, or to terminate or suspend the Small Holdings Sale Facility. Extension of the Notice Period, or suspension or termination of the Small Holdings Sale Facility, will be notified by way of a market announcement on ASX. Information on the market price of Acer Energy shares is available from the ASX website (www.asx.com.au) under the code "ACN".


Appointment of a broker

Acer Energy has arranged for the Broker to act as an execution-only broker to effect the sales under the Small Holdings Sale Facility. As noted above, shareholders will not pay any brokerage or handling fees related to the sale of shares under the Small Holdings Sale Facility. These sales will take place following the end of the Notice Period. The Broker may sell the shares under the Small Holdings Sale Facility in one or more trades and on one or more trading days as determined by the Broker in its discretion.

The Small Holdings Sale Facility is being arranged by Acer Energy and not the Broker. In providing services to Acer Energy in connection with this facility, the Broker is not providing services on behalf of, for, or to any shareholder or accepting any duty or responsibility to any shareholder and the Broker gives no assurance as to the sale price that will be achieved for the sale of any shares under the Small Holdings Sale Facility. A copy of the Financial Services Guide provided by the Broker in respect of the Small Holdings Sale Facility is available at Acer Energy's website (www.acerenergy.com.au).

The Small Holdings Sale Facility is authorised by Acer Energy's constitution and ASX Listing Rules

Under ASX Listing Rule 15.13 and Rule 13 of Acer Energy's constitution, Acer Energy may notify shareholders who hold less than a marketable parcel of shares (that is, less than A\$500 worth of Acer Energy shares) that it intends to sell their shares. This letter, and the 'Share Retention' form which accompanies this letter, satisfy the notice requirements under ASX Listing Rule 15.13 and Rule 13 of Acer Energy's Constitution.



Other important information

Neither Acer Energy, Link Market Services Limited nor the Broker makes any recommendation or gives any advice to you (including, regarding whether to retain your shares or permit them to be sold under the Small Holdings Sale Facility). Accordingly, you should ensure that the Small Holdings Sale Facility meets your own objectives, financial situation and needs. If you are in any doubt about whether to retain your shares or permit them to be sold, please consult your financial adviser.

If you have any questions regarding how the Small Holdings Sale Facility works, or you have a number of holdings that you wish to consolidate, please contact Acer Energy's Share Registry on 1300 554 474 (within Australia) or on + 61 2 8280 7454 (outside Australia).

Yours sincerely



Nick Davies
Chairman





SRN/HIN:

**Number of Shares held as at
the Record Date, 7:00pm (AEDT)
on 5 December 2011**

IMPORTANT NOTICE

Please complete this form if you do not wish your Shares in Acer Energy Limited to be sold. If you do not understand this notice you should immediately consult your financial adviser.

SHARE RETENTION FORM

If you wish to retain your Shareholding in Acer Energy Limited ("ACN") you must complete this form and return it to ACN's Registry, so that it is received no later than 5:00pm (AEDT), on 23 January 2012. Forms may be mailed or delivered to the addresses below.

Mailing Address

Acer Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

or

Hand Delivery

Acer Energy Limited
C/- Link Market Services Limited
Level 12, 680 George Street,
Sydney NSW 2000 **(Do not use this address for mailing purposes)**

This form must be received by ACN's Registry no later than 5:00pm (AEDT), on 23 January 2012, or your Shares will be sold.

Retention of Shares

I/We the Shareholder(s) described above by signing this form, hereby give notice that I/we wish to retain my/our Shareholding in ACN, pursuant to Rule 13 of the Company's Constitution.

Contact Details

Enter your telephone number(s) where we may contact you regarding this form.

Telephone Number – Business Hours

Telephone Number – After Hours

Contact Name (PRINT)

Shareholder Signature(s) – This MUST be completed

Shareholder 1

Individual or Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date

This form should be signed by the Shareholder. If a joint holding, all Shareholders should sign. If signed by the Shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

**THIS FORM MUST BE RECEIVED BY LINK MARKET SERVICES LIMITED
BY NO LATER THAN 5:00PM (AEDT) ON THE 23 JANUARY 2012**

If you require further information on how to complete this form, please contact the Acer Energy Limited Information Line on 1300 554 474 (within Australia) or +61 2 8280 7454 (from outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.

ACN RSS001

