

CARAVEL ENERGY LIMITED

ACN 119 047 693

PROSPECTUS

For the issue of up to 49,506,970 Options at an issue price of \$0.00001 each to existing non-related Shareholders who are invited by the Company to apply for Options (**Offer**).

This Prospectus has been prepared for the purpose of Chapter 6D of the Corporations Act which will enable the Options, and any Shares issued upon conversion of the Options, to be on-sold in Australia without trading restrictions.

The Offer is conditional on the Company obtaining Shareholder approval for the issue of the Options, as detailed in Section 1.1 of this Prospectus.

Important Notice

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The securities offered by this Prospectus should be considered as speculative.

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IMPORTANT NOTICE

This Prospectus is dated 16 May 2013 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC takes no responsibility for the content of this Prospectus.

The Expiry Date of the Prospectus is 13 months after the date it was lodged with the ASIC. No securities will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Options offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer of Options in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

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.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

A copy of this Prospectus can be downloaded from the website of the Company at www.caravelenergy.com.au. 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 for Options 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 Application Form it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus.

Risk Factors

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding on whether to apply for Options pursuant to this Prospectus. For further information in relation to risk factors of the Company please refer to Section 4 of this Prospectus.

Timetable and Important Dates

Lodgement of Prospectus with the ASIC and ASX	16 May 2013
Opening Date	17 May 2013
Closing Date	28 June 2013
General Meeting of Shareholders**	28 June 2013
Expected date of Official Quotation of the Options	3 July 2013

*The Directors reserve the right to bring forward or extend the Closing Date at any time after the Opening Date without notice. As such, the date the Options are expected to commence trading on ASX may vary with any change in the Closing Date.

**The General Meeting of Shareholders is expected to occur on or about 28 June 2013. The Directors reserve the right to bring forward or extend the date of the General Meeting.

CORPORATE DIRECTORY

Directors

Brian McMaster
Executive Chairman

Emma Rasolovoahangy
Director

Jonathan Hart
Director

Timothy Flavel
Non-Executive Director

Robert Wrixon
Non-Executive Director

Matthew Wood
Non-Executive Director

Company Secretary

Aaron Bertolatti

Registered Office

Level 1
33 Richardson Street
WEST PERTH WA 6005

Telephone: +61 8 9200 4268
Facsimile: +61 8 9200 4469

Share Registry*

Boardroom Pty Limited
Level 7, 207 Kent Street
SYDNEY, NSW 3993

Telephone: 1300 737 760
Facsimile: 1300 653 459

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Auditor*

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia

Stock Exchange

Australian Securities Exchange Limited
(Home Exchange: Perth, WA)
ASX Code: CRJ / CRJOA

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

1. DETAILS OF THE ISSUE

1.1 Offer is conditional

The Offer is conditional upon the Company obtaining Shareholder approval at a general meeting of Shareholders to issue the Options (**General Meeting**). The General Meeting is expected to be held on or about 28 June 2013.

In the event that this condition is not satisfied, the Company will not proceed with the Offer and will repay all application monies received.

1.2 Options made available for Subscription

By this Prospectus, the Company invites certain unrelated Shareholders nominated by the Company (in the Company's sole discretion) and invited to apply (Eligible Shareholders), to subscribe for a total of up to 49,506,970 Options.

The Options will be on the terms outlined in section 3.1. The Shares issued on exercise of the Options will rank equally with Shares on issue at the date of this Prospectus.

The Issue is not underwritten. The maximum amount to be raised as a result of the Offer is \$496. The funds raised pursuant to the Offer will be applied to the cost of the Offer as set out in section 5.6.

None of the subscribers for Options under this Prospectus will be related parties of the Company.

1.3 Opening and Closing Dates of the Issue

The Opening Date of the Issue will be 17 May 2013 and the Closing Date will be 28 June 2013 at 5.00pm WST. The Directors reserve the right to close the Issue early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

1.4 Application for Options

Applications for Options must only be made by those Eligible Shareholders who have been invited by the Company, to make an application, using the appropriate Option Application Form accompanying this Prospectus.

Applications under the Offer must be for a minimum of 10,000 Options and payment for the Option must be made in full at the issue price of \$0.00001 per Option.

Completed application forms and accompanying cheques must be mailed or delivered to:

Caravel Energy Limited
PO Box 826
WEST PERTH WA 6872

Cheques should be made payable to "Caravel Energy Limited – Application Account" and crossed "Not Negotiable". Completed Application Forms must reach the address set out above by no later than the Closing Date.

1.5 Minimum Subscription

There is no minimum subscription for the Offer.

1.6 Allotment of Options

Allotment of Options will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until allotment. This account will be established and kept by the Company in trust for each applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place and each applicant waives the right to claim any interest.

The Directors will determine the allottees of all the Options. The Directors reserve the right to reject any application or to allocate any applicant fewer Options than the number applied for.

Where the number of Options allotted is less than the number applied for, the surplus monies will be returned by cheque as soon as practicable after the Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on monies refunded.

1.7 Market Price of Securities

The Company is a disclosing entity for the purposes of the Corporations Act and its securities are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the class of Options on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.005 per Option on 13 and 21 February 2013

Lowest: \$0.002 per Option on 16 April 2013

The highest and lowest market sale prices of the class of Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.02 per Share on 7 March 2013

Lowest: \$0.013 per Share on 12 April 2013

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.015 per Share on 15 May 2013. The latest available closing sale price of the Options on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.002 per Option on 15 May 2013.

1.8 ASX Listing

Application for Official Quotation of the Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX for the listing of the Options 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 grant the Options and will repay all application moneys for those Options within the time prescribed under the

Corporations Act, without interest.

The Company shall, in accordance with the Listing Rules, apply to have the Shares which are issued pursuant to an exercise of Options quoted on ASX within two Business Days of the date of the issue of those Shares.

The fact that ASX may grant Official Quotation to the Options and any Shares issued upon conversion of the Options is not to be taken in any way as an indication of the merits of the Company, the Options now offered for subscription or any Shares issued upon conversion of Options.

1.9 Restrictions on the Distribution of the Prospectus

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

This Prospectus is not intended to, and does not, constitute an offer of, or invitation to apply for, securities in any place which, or to any person to whom, the making of such offer or invitation would not be lawful under the laws of any jurisdiction outside Australia.

1.10 Clearing House Electronic Sub-Register System (“CHESS”) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to ASX to participate 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 a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

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

1.11 Dividend Policy

The Company’s ability to pay dividends depends on factors such as the earnings, taxation and financial position of the Company. It is the current intention of the Directors to pay dividends if the profitability of the Company’s operations permits. The level of franking of any dividends will be determined by the level of Australian tax paid by the Company.

Until the Company generates sufficient profits, it will not be in a position to declare any dividend and, accordingly, the Directors will not formulate a dividend policy until a profit is generated.

1.12 Taxation

The Company does not propose to give any taxation advice and neither the Company, its Directors nor its officers accept any responsibility or liability for any

taxation consequence to applicants. Applicants should consult their own professional tax advisers in regard to taxation implications of the Issue.

1.13 Privacy Act

If you complete an application for Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, 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 Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers 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 SCH Business Rules. You should note that if you do not provide the information required on the application for Options, the Company may not be able to accept or process your application.

1.14 Enquiries

Any questions concerning the Issue should be directed to the Company Secretary, Aaron Bertolatti at the Company's registered office at Level 1, 33 Richardson Street, West Perth WA 6005.

2. PURPOSE AND EFFECT OF THE ISSUE

2.1 Purpose of the Issue

The purpose of the issue of this Prospectus is to make the Offer with disclosure for the purpose of Chapter 6D of the Corporations Act which will enable the Options, and any Shares issued upon conversion of the Options, to be on-sold in Australia without trading restrictions.

2.2 Effect of the Issue on the Issued Capital of the Company

The principal effect of the Issue will be as follows:

Current issued capital - Shares	Shares
Shares	825,839,108
Total Shares on issue on completion of the Issue and Capital Raising	825,839,108

Current issued capital - Options	Options
Listed Options exercisable at \$0.035 on or before 31 December 2013	100,000,000
Unlisted Options exercisable at \$0.12 on or before 27 November 2013	1,000,000
Unlisted Options exercisable at \$0.12 on or before 30 September 2013	775,000
Unlisted Options exercisable at \$0.015 on or before 21 July 2013	15,333,334
Unlisted Options exercisable at \$0.02 on or before 1 July 2014	10,000,000
Unlisted Options exercisable at \$0.035 on or before 30 June 2015	20,000,000
Options issued pursuant to the Issue ¹	49,506,970
Total Options on issue on completion of the Issue and Capital Raising	196,615,304

1. Based on all options offered under this Prospectus being issued.

2.3 Effect of the Issue and Pro Forma Consolidated Statement of Financial Position

The maximum amount to be raised as a result of the Offer is \$496. The funds raised pursuant to the Offer will be applied to the cost of the Offer as set out in section 5.6. Therefore, the Offer will not have an effect on the financial position of the Company.

3. RIGHTS ATTACHING TO SECURITIES

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

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

3.1 Terms of Options

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.035 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5.00pm (WST) on 31 December 2013 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and

- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- (iv) If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

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.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

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.

(m) **Quotation**

The Company will apply for quotation of the Options on ASX.

(n) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

3.2 **Rights attaching to Shares**

(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 of the Company.

(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 shareholders entitled to the dividend. The dividend shall (subject to Clause 22 of the Company's Constitution and to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividends) be payable on all shares in accordance with the Corporations Act. The

Directors may from time to time pay to the shareholders such 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.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, 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, 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. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities and which are subject to escrow restrictions at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, shares in the Company 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 Listing Rules.

(f) **Changes to Capital Structure**

The Company may by ordinary resolution and subject to the Corporations Act and the Listing Rules:

- (i) increase its share capital by the issue of new shares of such amount as is specified in a resolution;
- (ii) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- (iii) sub-divide all or any of its shares into shares of smaller amount than is fixed by the Constitution, but so that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each such share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived; and
- (iv) cancel shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or have been forfeited and reduce its share capital by the amount of the shares so cancelled.

(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.

The Shares are quoted on ASX.

4. RISK FACTORS

4.1 General

The Options offered under this Prospectus should be considered speculative because of the nature of the Company's business. The future profitability of the Company will be dependent on the successful commercial exploitation of its business and operations.

Whilst the Directors recommend the Issue, there are numerous risk factors involved. The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and potential investors should examine the contents of this Prospectus in its entirety and consult their professional advisors before deciding whether to apply for the Options.

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

4.2 Company specific

(a) Additional Requirements for Capital

Caravel Energy will be required to raise additional funds in the event exploration costs exceed Caravel Energy's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which Caravel Energy may incur.

Caravel Energy may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for Caravel Energy's activities and future projects may result in delay and indefinite postponement of exploration or development on the Caravel Energy's Projects, or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to Caravel Energy and might involve substantial dilution to Shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by Caravel Energy may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that Caravel Energy would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by Caravel Energy or default under a finance lease could also result in the loss of assets.

(b) Madagascan Operations

Risks relating to operating in Madagascar include economic, social or political instability or change, security concerns, hyperinflation, currency non-convertibility or instability and changes of law effecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties as well as government control over mineral properties.

(c) **Trading Price of Caravel Energy Shares**

Caravel Energy's operating results, economic and financial prospects and other factors will affect the trading price of the Caravel Energy Shares. In addition, the price of Caravel Energy Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the Australian dollar and United States dollar performance on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general or Australian mining stocks in particular, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Caravel Energy Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that Caravel Energy's market performance will not be adversely affected by any such market fluctuations or factors.

(d) **Foreign Currency Risk**

Foreign currency exchange risk involves exchange rate movements amongst currencies that may adversely impact the value of foreign currency-denominated assets, liabilities and off-balance sheet arrangements.

Unfavourable movements in the foreign currencies may have an adverse effect on the Company's operations and the market price of Caravel Energy's Shares. The Company does not hedge against these risks.

(e) **Environmental Risks**

The operations and proposed activities of Caravel Energy are subject to Madagascan laws and regulations concerning the environment. As with most exploration projects and production operations, Caravel Energy's activities are expected to have an impact on the environment, particularly if advanced exploration or development proceeds. It is Caravel Energy's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. However, this does not necessarily mean that all of Caravel Energy's proposed activities will be approved by the Madagascan environmental authorities.

(f) **Uninsured loss and liability**

Exploration for and development of oil and gas involves hazards and risks that could result in Caravel Energy incurring losses and liabilities to third parties. There is a risk that Caravel Energy may not be insured against all losses or liabilities that could arise from its operations. If Caravel Energy incurs losses or liabilities which are not covered by its insurance policies, the funds available for exploration and development

will be reduced and the value and/or tenure of Caravel Energy assets may be at risk.

4.3 Industry specific

(a) Exploration Risks

By its nature, the business of oil and gas exploration contains elements of significant risk with no guarantee of success. Ultimate and continuous exploration success is dependent on many factors such as:

- (i) access to adequate capital;
- (ii) the design and construction of efficient exploration programs and expenditure budgets;
- (iii) securing and maintaining title to interests;
- (iv) obtaining consents and approvals necessary for the conduct of oil and gas exploration; and
- (v) access to competent exploration and operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Industry exploration risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against Caravel Energy and substantial losses to Caravel Energy due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against Caravel Energy.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(b) Oil and gas price fluctuations

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the

level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on Caravel Energy's business, financial condition and results of operations.

(c) **Title Risk**

Caravel Energy cannot give any assurance that title to the Caravel Energy Projects will not be challenged or impugned for various reasons, including that they may be subject to prior unregistered agreements or transfers or title may be affected by undetected defects.

4.4 General risks

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Caravel Energy'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 Caravel Energy's quoted securities regardless of Caravel Energy's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- 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 Caravel Energy nor the Directors warrant the future performance of Caravel Energy or any return on an investment in Caravel Energy.

(c) **Reliance on Key Management**

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

(d) **Competition Risk**

The industry in which Caravel Energy will be involved is subject to domestic and global competition. Although Caravel Energy will undertake all reasonable due diligence in its business decisions and operations, Caravel Energy will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of Caravel Energy's projects and business.

(e) **Force Majeure**

Caravel Energy and its projects, now or in the future may be adversely affected by risks outside the control of Caravel Energy including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(f) **Litigation Risks**

Caravel Energy is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, Caravel Energy may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on Caravel Energy's operations, financial performance and financial position. Caravel Energy is not currently engaged in any litigation.

(g) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by Caravel Energy or by investors in Caravel Energy. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Caravel Energy 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 Caravel Energy is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

5. ADDITIONAL INFORMATION

5.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and

- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
30/04/2013	Quarterly Activities Report
30/04/2013	Quarterly Cashflow Report
19/04/2013	Suspension from Official Quotation
16/04/2013	Trading Halt Request
16/04/2013	Trading Halt
14/03/2013	Half Year Accounts December 2012
19/02/2013	Successful Completion of Stage 1 Seismic
31/01/2013	Quarterly Activities Report
31/01/2013	Quarterly Cashflow Report
11/01/2013	Expiry of Options - CRJO
11/01/2013	Appendix 3B
19/12/2012	Appendix 3B
14/12/2012	Seismic Programme Commenced on the Behaza Oil Project
4/12/2012	Appendix 3B
4/12/2012	Change of Director's Interest Notice
23/11/2012	CRJO - Option Expiry Notice
22/11/2012	Change of Director's Interest Notice
20/11/2012	Initial Director's Interest Notice x 2
20/11/2012	Change in substantial holding
20/11/2012	Change of Director's Interest Notice
16/11/2012	Results of Annual General Meeting
15/11/2012	Board Appointments
12/11/2012	Becoming a substantial holder
12/11/2012	Change of Director's Interest Notice
5/11/2012	Appendix 3B
1/11/2012	Change of Name
30/10/2012	Quarterly Activities Report
30/10/2012	Quarterly Cashflow Report
15/10/2012	Results of General Meeting

Date	Description of Announcement
9/10/2012	Notice of Annual General Meeting
28/09/2012	Change of Director's Interest Notice x3
28/09/2012	Appendix 3B

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal hours.

5.2 Consents

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with the ASIC.

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

None of the entities referred to in this Section 5.2 have authorised or caused the issue of this Prospectus and do not accept any liability to any persons in respect of any false or misleading statement in, or omission from, any part of this Prospectus.

5.3 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any organisation in which such a Director is a partner or director, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of Options pursuant to this Prospectus; or
- (c) the offer of Options pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any Director or to any organisation in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company.

Each Directors' interests in Shares and Options at the date of this Prospectus are:

Director	Shares	Options
Mr Brian McMaster ¹	7,511,809	12,500,000
Mr Timothy Flavel ²	19,439,986	2,500,000
Mr Matthew Wood ³	50,247,846	10,166,668
Mr Jonathan Hart	1,865,457	5,000,000
Dr Emma Rasolovoahangy	50,000,000	-
Dr Robert Wrixon	900,000	600,000

Notes

¹ Mr McMaster has an indirect interest in 7,511,809 Shares and 2,500,000 Options through his interest in Reeve Ventures Pty Ltd and Hudson Bay Investments Pty Ltd.

² Mr Flavel has an indirect interest in 2,270,544 Shares and 2,500,000 Options through his interest in Hudson Bay Investments Pty Ltd and Warrior Consulting Pty Ltd.

³ Mr Wood has an indirect interest in 41,247,846 Shares and 10,166,668 Options through his interest in Hudson Bay Investments Pty Ltd and Mitchell Grass Holdings Pte Ltd.

The Constitution of the Company provide that the Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, where notice of the amount of the suggested increase and the maximum sum that may be paid shall have been given to shareholders in the notice convening the meeting.

In the last two years, \$762,510 (\$291,510 in 2011 and \$471,000 in 2012) has been paid by the Company by way of remuneration for services provided by the Directors, companies associated with the Directors or their associates in their capacity as directors, consultants or advisers. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

The table below sets out the remuneration provided to the Directors of the Company and their associated companies during the last financial year prior to the date of this Prospectus and their current remuneration at the date of this Prospectus, inclusive of directors fees and consultancy fees.

Director	Year Ended 30 June 2012 (\$)	Current (\$)
Mr Matthew Wood	120,000	-
Mr Timothy Flavel	100,000	-
Mr Brian McMaster	144,000	-
Mr Jonathan Hart	32,000	80,000
Dr Emma Rasolovoahangy	-	171,794
Dr Robert Wrixon	-	-

5.4 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert nor any organisation in which such expert has an interest, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of Options pursuant to this Prospectus; or
- (c) the offer of Options pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any expert or to any firm in which any such expert is a partner, either to induce him to become, or to qualify him as, an expert or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company.

Steinepreis Paganin act as solicitors to the Company. Steinepreis Paganin will be paid approximately \$2,500 for services provided in relation to this Prospectus.

5.5 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.

5.6 Estimated Expenses of Issue

The estimated expenses of the Issue are as follows:

Item	\$
ASX Fees	1,500
ASIC Fees	2,171
Legal Fees	2,500
Print, Mailing and Other Expenses	150
Total	6,321

The expenses of the Offer will be satisfied by the funds raised pursuant to the Offer and from the working capital of the Company.

5.7 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act 2001 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 Entitlement and Acceptance Form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance 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.

6. DIRECTORS' CONSENT

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

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

Timothy Flavel
Director
For and on behalf of
Caravel Energy Limited

7. DEFINITIONS

Applicant means an investor that applies for Options using an Application Form pursuant to this Prospectus.

Application Form or Option Application Form refers to both the Share Application Forms and Option Application Forms.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Securities Exchange Limited (ABN 98 008 624 691).

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date for receipt of Application Forms under this Prospectus as set out in Section 1.3.

Company or Caravel Energy means Caravel Energy Limited (ACN 119 047 693).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

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

Dollar or "\$" means Australian dollars.

Issue means the proposed issue of Options referred to in the "Details of the Issue" section of this Prospectus.

Listing Rules or ASX Listing Rules means the Listing Rules of ASX.

Opening Date means the opening date for receipt of Application Forms under this Prospectus as set out in Section 1.3.

Option means an option to acquire a Share on the terms set out in Section 3.1 of this Prospectus.

Prospectus means this Prospectus.

Securities means Shares and Options.

Shares means the Shares the subject of the Issue.

Share means a fully paid ordinary share in the capital of the Company and where the context permits means the Shares the subject of the Issue.

WST means Western Standard Time.