



**DVM INTERNATIONAL LIMITED**

**ABN 80 072 964 179**

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## **ENTITLEMENT ISSUE PROSPECTUS**

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For a non-renounceable entitlement issue of one (1) Share for every one (1) Share held by Shareholders registered at 5.00pm (WST) on 25 February 2010 at an issue price of \$0.04 per Share to raise approximately \$1,424,862.

Any Shares not taken up by Shareholders pursuant to this Prospectus may be placed by the Broker to the Issue in accordance with the terms and conditions of the Placement Agreement or by the Directors in accordance with the Listing Rules.

**BROKER TO THE ISSUE**

**DJ CARMICHAEL**

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### **IMPORTANT NOTICE**

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

The Shares offered by this Prospectus should be considered speculative.

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## 1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

### TIMETABLE AND IMPORTANT DATES

Lodgement of Prospectus with ASIC and ASX	8 February 2010
Lodgement of Appendix 3B with ASX	8 February 2010
Notice sent to Shareholders	9 February 2010
Ex Date	19 February 2010
Record Date for determining entitlements to Shares	25 February 2010
Prospectus despatched to Shareholders (not later than)	3 March 2010
Closing Date of Offer (5pm WST)*	19 March 2010
Securities quoted on a deferred settlement basis	22 March 2010
Despatch of holding statements – deferred settlement trading ends	24 March 2010
Normal trading commences	25 March 2010

\* The Directors may extend the Closing Date by giving at least 6 business days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary from the dates stated above.

### IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 8 February 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The Expiry Date of the Prospectus is the date that is 13 months after the date of this Prospectus (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

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.

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.

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

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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.

### **ELECTRONIC PROSPECTUS**

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 the 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.

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## 2. CORPORATE DIRECTORY

### Directors

Christopher Rowe  
Ivan Burgess  
Howard Dawson  
Leith Wale

### Company Secretary

Michael Higginson

### Registered Office

103 Abernethy Road  
Belmont WA 6104

Telephone (+61 8) 9478 5399  
Facsimile (+61 8) 9277 6818

### Broker to the Issue\*

DJ Carmichael

Level 3, 216 St Georges Terrace  
Perth WA 6000

### Auditors\*

Ernst & Young

11 Mounts Bay Road  
Perth WA 6000

### Share Registry\*

Security Transfer Registrars Pty Ltd

770 Canning Highway  
Applecross WA 6153

Telephone (+61 8) 9315 2333  
Facsimile (+61 8) 9315 2233

### Website

[www.dvminternational.com.au](http://www.dvminternational.com.au)

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

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### 3. DETAILS OF THE OFFER

#### 3.1 Offer of Shares

The Offer is being made as a non-renounceable entitlement issue of one (1) Share for every one (1) Share held by Shareholders registered at 5.00pm (WST) on the Record Date at an issue price of \$0.04 per Share.

Based on the existing capital structure of the Company, the maximum number of Shares to be issued pursuant to this Offer is 35,621,547. The Offer will raise \$1,424,862, before costs of the issue. The purpose of the Offer and the use of funds raised are set out in Section 4 of this Prospectus.

The Company currently has 4,104,297 Options on issue. The Option holders are not entitled to participate in the Offer.

#### 3.2 How to Accept the Offer

Your acceptance of the Offer must be made in accordance with the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for your maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full and **pay by cheque**:
  - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
  - (ii) attach your cheque for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement and **pay by cheque**:
  - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque for the appropriate application monies (at \$0.04 per Share); or
- (c) if you wish to accept part or all of your Entitlement and **pay by BPAY**, then follow the BPAY payment instructions located on the reverse side of the Entitlement and Acceptance Form. You do not need to complete or return the Entitlement and Acceptance Form if you chose to pay for part or all of your Entitlement by **BPAY**; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

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All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to **“DVM International Limited – Subscription Account”** and crossed **“Not Negotiable”**.

Your completed Entitlement and Acceptance Form and cheque or BPAY payment must reach the Company's Share Registry by no later than 5:00pm (WST) on the Closing Date.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

### **3.3 Placement Agreement**

Pursuant to a letter agreement between the Company and DJ Carmichael dated 18 January 2010 (Placement Agreement), DJ Carmichael agreed to act as broker to the Issue for a fee of \$14,248.62 (ie 1% of the Offer).

In addition, DJ Carmichael have agreed to place as much as possible of any Entitlements not taken up by Shareholders (Shortfall) within 7 days of the Shortfall being calculated for a fee of 5% of the Shares placed from the Shortfall.

The placement of any Shortfall (if any) to clients of DJ Carmichael will be made within 3 months of the Closing Date at the issue price of 4 cents per Share.

The Directors reserve the right to issue the Shortfall (if any), at their discretion and within 3 months of the Closing Date, at the issue price of 4 cents per Share.

### **3.4 Australian Securities Exchange Listing**

Application for official quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 3 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 Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

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

### **3.5 Allotment of Shares**

Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares on the basis of a Shareholder's Entitlement. Where the number of Shares issued is less than the number applied, 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 Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the

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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.

Holding statements for the Shares will be mailed as soon as possible after the Closing Date.

### **3.6 Overseas Shareholders**

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

### **3.7 Taxation Implications**

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Shares offered pursuant to this Prospectus.

### **3.8 Privacy Act**

If you complete an application for Shares, 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's share registry.

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You can access, correct and update the personal information that we hold about you. Please contact the Company's share 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 (Cth) (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 for Shares, the Company may not be able to accept or process your application.

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#### 4. PURPOSE AND EFFECT OF THE OFFER

##### 4.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$1,424,862 (before expenses). The funds raised from the Offer (after expenses) will be used as set out in the table below:

Exploration expenditure on the Tarfaya Offshore oil and gas project, located in Morocco	\$822,420
Exploration expenditure on the Company's Australian oil and gas projects	\$300,000
Working capital	\$250,000
Expenses of the Offer <sup>1</sup>	\$52,422
<b>Total raised pursuant to Offer</b>	<b>\$1,424,862</b>

1. Refer to Section 7.5 of this Prospectus for further details relating to the expenses of the Offer.

##### 4.2 Effect of the Offer and Pro Forma Statement of Financial Position

Set out below is:

- (a) an unaudited Balance Sheet as at 31 December 2009 and
- (b) an unaudited pro forma Balance Sheet at 31 December 2009 incorporating the effects of the Offer.

The proposed transactions adjusting the 31 December 2009 unaudited Balance Sheet in the pro forma Balance Sheet are:

- (a) the issue of 35,621,547 Shares pursuant to this Prospectus; and
- (b) the receipt of funds of \$1,424,862 and the payment of costs of \$52,422 relating to this Prospectus.

##### 4.3 Pro Forma Consolidated Balance Sheet

The unaudited Balance Sheet as at 31 December 2009 and unaudited Pro Forma Balance Sheet as at 31 December 2009 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position, assuming that all the Shares are issued by the Closing Date. They have been prepared on the assumption that the Offer is fully subscribed and no Options are exercised either before or after the Record Date.

The statements have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and

pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	<b>Unaudited as at 31 Dec 2009 \$</b>	<b>Proforma Adjustments \$</b>	<b>Note</b>	<b>Unaudited Proforma as at 31 Dec 2009 \$</b>
<b>Current Assets</b>				
Cash and cash equivalents	1,644,870	1,372,440	1	3,017,310
Trade and other receivables	31,334			31,334
Prepayments	-			-
<b>Total Current Assets</b>	<u>1,676,309</u>			<u>3,048,644</u>
<b>Non-Current Assets</b>				
Property, plant & equipment	7,105			7,105
Exploration and evaluation	-			-
<b>Total Non-Current Assets</b>	<u>7,105</u>			<u>7,105</u>
<b>TOTAL ASSETS</b>	<u><b>1,683,309</b></u>			<u><b>3,055,749</b></u>
<b>Current Liabilities</b>				
Trade and other payables	85,121			85,121
<b>TOTAL LIABILITIES</b>	<u><b>85,121</b></u>			<u><b>85,121</b></u>
<b>NET ASSETS</b>	<u><b>1,598,188</b></u>			<u><b>2,970,628</b></u>
<b>Equity</b>				
Contributed equity	32,698,390	\$1,372,440	1	34,070,830
Reserves	320,783			320,783
Accumulated losses	(31,420,985)			(31,420,985)
<b>TOTAL EQUITY</b>	<u><b>1,598,188</b></u>			<u><b>2,970,628</b></u>

Note:

1. Proforma adjustment based on the Company receiving the proceeds from the Offer. The adjustment reflects the Offer being fully subscribed, and the Company receiving proceeds of \$1,424,862 via the issuance of 35,621,547 Shares at a price of \$0.04 per Share. The Company's anticipated costs associated with the Offer being \$52,422, have being applied against the proceeds received, giving a net cash inflow of \$1,372,440.

#### **4.4 Effect on Capital Structure**

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed and no Options are exercised either before or after the Record Date.

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## Shares

	<b>Number</b>
Shares currently on issue	35,621,547
Shares offered pursuant to the Offer	35,621,547
<b>Total Shares on issue</b>	<b>71,243,094<sup>1</sup></b>

Notes:

1. Assumes the Offer is fully subscribed and no Options are exercised prior to or after the Record Date.

## Options

	<b>Number</b>
Options currently on issue	4,104,297
Options offered pursuant to the Offer	nil
<b>Total Options on Issue</b>	<b>4,104,297</b>

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## **5. RIGHTS ATTACHING TO SHARES**

### **5.1 Rights Attaching to Shares**

There is only one class of share on issue in the Company, being fully paid ordinary shares. The rights attaching to Shares are:

- (a) set out in the Constitution of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules (formerly the SCH Business Rules) and the general law.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

All Shares offered pursuant to this Prospectus will from the time they are issued, rank *pari passu* with all the Company's existing Shares.

#### **(i) General Meetings and Notices**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of Company and to receive all notices, accounts and other documents required to be sent to members under Company's constitution, the Corporations Act or the Listing Rules.

#### **(ii) Voting Rights**

Voting rights are subject to any rights or restrictions for the time being attached to any class or classes of shares, of meetings of shareholders or classes of Shareholders.

Each Shareholder entitled to vote may vote in person or by proxy, attorney or representative.

On a show of hands, every person present who is a shareholder or a proxy attorney or representative of a Shareholder has one vote.

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 being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those shares (excluding amounts credited).

In the case of joint holders of shares, the vote of the senior who tenders a vote, whether in person or by proxy, attorney or representative, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of shareholders.

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(iii) **Issues of Further Shares**

Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares, unissued shares shall be under the control of the Directors and, subject to the Corporations Act, the listing Rules and this Constitution, the Directors may at any time issue such number of Shares either as ordinary Shares or Shares of a named class or classes (being either an existing class or a new class) at the issue price that the Directors determine and with such preferred, deferred, or other special right or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Directors shall, in their absolute discretion determine.

(iv) **Variation of Rights**

If at any time the share capital of the Company 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) may be varied, whether or not the Company is being wound up, 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 the class. Any variation of rights under this clause 2.4 of the Constitution shall be subject to part 2F.2 of chapter 2F of the Corporations Act. The provisions of this Constitution relating to general meetings shall apply so far as they are capable of application and with necessary alterations to every such separate meeting except that a quorum is constituted by two persons who together hold or present by proxy not less than one-third of the issued shares of the class.

(v) **Transfer of Shares**

Subject to Company's constitution, the Corporations Act and the Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by an ASTC Transfer or any other method of transferring or dealing in Shares introduced by ASX or operate in accordance with the ASTC Settlement Rules or Listing rules and in any such case recognised under the Corporations Act; or an instrument in writing in any usual or common form or in any other form that the Directors approve.

The Directors may do anything they consider necessary or desirable and which is permitted under the Corporations Act, the Listing Rules and the ASTC Settlement Rules to facilitate participation by the Company in any system established or recognised by the Corporations Act and the Listing Rules or the ASTC Settlement Rules in respect of transfers of or dealings in marketable securities.

The Directors may refuse to register any transfer of shares (other than an ASTC Transfer) where the Listing Rules permit the company to do so, or the Listing Rules require the Company to do so; or the transfer is a transfer of restricted securities which is or might be in breach of the Listing Rules or any escrow

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agreement entered into by the Company in relation to such restricted securities pursuant to the Listing Rules.

(vi) **Partly-paid Shares**

The Board may, subject to compliance with Company's constitution, the Corporations Act and the Listing Rules, issue partly-paid shares upon which there are outstanding amounts payable.

(vii) **Dividends**

Subject to the Constitution and the Corporations Act, 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 created 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 out of the total amounts paid and payable (excluding amounts credited) in respect of such Shares in accordance with part 2h.5 of Chapter 2 H of the Corporations Act.

The Directors may from time to time pay to the Shareholders any interim dividends that 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.

(viii) **Winding Up**

Subject to the rights of Shareholders entitled to Shares with special rights in a winding-up and the Corporations Act all monies and property that are to be distributed among Shareholders on a winding up, shall be distributed in proportion to the Shares held by them respectively, irrespective of the amount paid-up or credited as paid-up on the Shares.

(ix) **Dividend Reinvestment and Share Plans**

Subject to the Listing Rules, the Corporation Act, and the Constitution, the Company may, by resolution of the Directors, implement a Dividend Reinvestment Plan on such terms and conditions as are referred to in the resolution and which plan provides for any dividend which the Directors may declare from time to time under clause 21 of the Constitution and 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, to be applied by the Company to the payment of the subscription price of ordinary fully paid shares.

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## **6. RISK FACTORS**

### **6.1 Introduction**

The Shares the subject of this Prospectus should be considered speculative because of the nature of oil and gas exploration.

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in the Prospectus, before deciding whether to apply for Shares.

The value of the Company's Securities is affected by a number of general factors which are beyond the control of the Company and its Directors.

Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

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

### **6.2 Risks Specific to the Company**

An investment in the Company has risk and prospective investors in the Company should consider the risk factors described in this section, together with the information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

There are also a number of specific risks associated with the Company which may adversely affect the Company's financial position, prospects and price of its listed securities. In particular, the Company is subject to risks relating to the exploration and development of oil and gas permits which are not generally associated with other businesses.

Set out below are specific risks that may adversely affect the Company:

- the Company cannot guarantee that any exploration and mining permits or tenements that are applications for permits or tenements will ultimately be granted in whole or in part pursuant to any relevant regulations or mining and exploration legislation of the relevant authority;
- the various authorities responsible for the approval of exploration and mining permits or tenements from time to time review the environmental bonds that are placed on permits or tenements. The Directors of the Company are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company; and
- the Company's major asset is located in Morocco. Morocco is, at present, a stable democracy but the Company cannot guarantee access, surety of title and/or tenure of its Moroccan based assets.

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### **6.3 Exploration Success**

Potential investors should understand that oil and gas exploration and development is a high-risk undertaking.

There is no assurance that oil and/or gas, other than that already discovered, will be discovered in the areas in which the Company has an interest. Even if further oil and/or gas is discovered in those areas, there is no assurance that commercial quantities of oil and/or gas can be recovered from the Company's permits.

### **6.4 Economic Risks**

Factors such as inflation, currency fluctuations, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market prices.

The Company's future profitability and the market price of its quoted securities can be affected by these factors, which are beyond the control of the Company.

### **6.5 Drilling and Operating Risks**

The Company's operations may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, industrial and environmental accidents, industrial disputes, operational and technical difficulties, shortage or delays in the delivery of rigs and/or other equipment and compliance with governmental requirements.

Fire, explosions, blow-outs, pipe failure, well collapse, abnormally pressure formations and environmental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gases, could cause the Company substantial loss due to the cost of personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations.

Any of these events might also give rise to claims against the Company.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or development of permits and/or tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

### **6.6 Future Performance of Business Activities**

The value of the Company's business activities is subject to the various and unpredictable influences of the market it operates in and the economy in general. Accordingly, adverse economic and market conditions may be experienced by the Company which are outside of its control and may have an adverse effect on the Company.

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## **6.7 Commodity Price Fluctuations and Exchange Rate Risks**

The price for oil and gas will depend on available markets at acceptable prices and transmission, distribution and other costs. Any substantial decline in the prices of oil and gas or an increase in transmission, distribution or other costs could have a material adverse effect on the Company.

If the Company achieves success leading to oil and/or gas production, the revenue it will derive through the sale of oil and/or gas exposes the potential income of the Company to commodity 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.

International oil and gas prices 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.

## **6.8 Environmental Risks**

Oil and gas exploration, development and production can be hazardous to the environment. The Company may incur substantial costs for environmental rehabilitation, damage control, and losses by third parties resulting from its operations.

The Company's operations are subject to the environmental risks inherent in the oil and gas industry. The Company is subject to environmental laws and regulations in connection with all its operations.

The Company could be subject to liability due to risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances.

As with all exploration and drilling projects, the Company's activities are expected to have a variety of environmental impacts. The Company may require approval from the relevant authorities before it can undertake activities, which are likely to impact the environment. Failure to obtain such approvals would prevent the Company from undertaking its desired activities.

The Company is unable to predict the effect of future environmental legislation and regulations or the manner in which these may be enforced. In particular the Company cannot comment on whether it might, in the future, be obliged to incur significant expenses and undertake significant investments as a result of legislative or policy changes, which could have a material adverse effect on the Company's business, financial performance and operational results.

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## **6.9 Title Risks**

Interests in permits and tenements are governed by the respective legislation of the jurisdiction in which the Company operates and are evidenced by the granting of licences, permits or leases. Each licence, permit or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in permits or tenements if licence or permit conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to permits or tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights may exist. If native title rights do exist, the ability of the Company to gain access to permits or tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and production phases of operations may be adversely affected.

The Directors will closely monitor the potential effect of native title rights or claims involving tenements in which the Company has or may have an interest.

## **6.10 Share Market Conditions**

The price of the Shares when quoted on ASX will be influenced by international and domestic factors affecting conditions in equity, financial and commodity markets. These factors may affect the general level of prices for listed securities of mining and exploration companies quoted on ASX.

There can be no guarantee that an active market in the Shares of the Company will develop or that the price of the Shares will not fall or increase. The numbers of buyers and sellers of the Shares on the ASX at any time may increase the volatility of the market price of the Shares and may also affect the prevailing market price at which Applicants may be able to sell their Shares.

## **6.11 General Investment Risks**

There is a risk that the price of Shares and returns to Shareholders may be affected by changes in:

- local and world economic conditions;
- interest rates;
- oil and gas prices
- insurance;
- levels of tax, taxation law and accounting practice;
- government legislation or intervention;
- inflation or inflationary expectations; and

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- natural disasters, social upheaval or war in Australia, Morocco or elsewhere, as well as other factors beyond the control of the Company.

#### **6.12 Future Funding Requirements**

To develop its business, including the exploration and development of its oil and gas discoveries, the Company will require additional funding. There can be no assurance that any such equity or debt funding will be available for the Company on favourable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to participate in further developing and exploiting its assets.

#### **6.13 Reliance on Key Personnel and Advisors**

The ability of the Company to achieve its objectives depends on the engagement of key employees, directors and external contractors that provide management and technical expertise. If the Company cannot secure external technical expertise (for example to carry out drilling) or if the services of the present management or technical team cease to become available to the Company, this may affect the Company's ability to achieve its objectives either fully or within the timeframes and the budget the Company has decided upon.

Whilst the ability of the Company to achieve its objectives may be affected by the matters mentioned above it is the belief of the Directors that appropriately skilled and experienced professionals would be available to provide services to the Company at market levels of remuneration in the event key employees or external contractors cease to be available.

#### **6.14 Government**

Governmental action or policy change, particularly in relation to access to lands and infrastructure, compliance with environmental regulations, taxation and royalties, may adversely affect the Company's operations and financial performance.

#### **6.15 Compulsory Work Obligations**

Exploration permits are subject to compulsory work or expenditure obligations for each permit year which must be met in order to keep the permit in good standing. It is possible for these commitments to be varied by deferment and combination with later year requirements on application of the permit holder, but any such variation is at the sole discretion of the authority administering the relevant legislation. If no variation is approved then a failure to meet compulsory obligation could lead to forfeiture of the permit.

#### **6.16 Ability to exploit success**

Any successful exploitation of discoveries would require obtaining the necessary production permit and the relevant government approvals. The required approvals may be issued at the discretion of the relevant authorities and might be issued subject to conditions or preconditions.

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### **6.17 Insurance Risks**

The Company has insured its operations in accordance with industry practice, taking into account regulatory requirements. However, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance of all risks associated with oil and gas exploration and production is not always available and where available the costs can be prohibitive.

There is a risk that insurance premiums may increase to a level where the Company considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice.

The Company insures the risks it considers appropriate for the Company's need and for its circumstances. Insurance cover will not be available for every risk faced by the Company (eg insurance in relation to acts of terrorism is unavailable in Australia).

In addition, the Company may, following a cost-benefit analysis, elect to not insure certain risks on the ground that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Company of the insurance cover.

### **6.18 Commercialisation Risks**

Even if the Company recovers commercial quantities of oil or gas, there is a risk the Company will not achieve a commercial return. The Company may not be able to transport the oil or gas to commercially viable markets at a reasonable cost or may not be able to sell the oil or gas to its customers at a price and quantity which would cover its operating and other costs.

### **6.19 Competition risks**

Some of the Company's competitors, including major oil companies, have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities.

Many of the Company's competitors not only explore for, and produce oil and gas, but also carry out refining operations and market petroleum and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

### **6.20 No Profit to Date**

The Company has incurred losses since its inception and it is therefore not possible to evaluate its prospects based on past performance.

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There can be no certainty that the Company will achieve or sustain profitability (if achieved) or achieve or sustain positive cash flow from its operating activities.

#### **6.21 Financing Risks and Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors, such as the cost of wells, the number of wells drilled and the success rate encountered.

If the Company is unable to generate sufficient income from its existing or future projects, the Company may require further financing in addition to amounts raised pursuant to this prospectus.

Any additional equity financing may dilute existing 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 or anticipated expansion.

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## **7. ADDITIONAL INFORMATION**

### **7.1 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. The Shares that will be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 3 months prior to the issue of this Prospectus.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are 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) to the extent they are available, 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 with the ASIC by the Company and any half-year financial report lodged with the ASIC by the Company after the lodgement of that annual report and before the lodgement of this Prospectus with the ASIC; and
  - (ii) any continuous disclosure notices used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

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.

Pursuant to Section 713 of the Corporations Act, the Company has lodged the following announcements with ASX since lodgement of its last annual financial report:

<b>Date</b>	<b>Description of Announcement</b>
8 February 2010	Acquisition of Tarfaya Offshore Block - Morocco
8 February 2010	Reinstatement to Official Quotation
8 February 2010	Appendix 3B
3 February 2010	Request for Suspension from Official Quotation
3 February 2010	Suspension from Official Quotation
1 February 2010	Trading Halt
29 January 2010	Quarterly Activities Report
29 January 2010	Quarterly Cashflow Report
30 October 2009	Quarterly Activities Report
30 October 2009	Quarterly Cashflow Report
25 August 2009	Half Yearly Accounts
31 July 2009	Quarterly Activities Report
31 July 2009	Quarterly Cashflow Report
12 June 2009	Company Secretary Appointment/Resignation

29 May 2009	Presentation Paper for APPEA Conference
22 May 2009	Results of Meeting
30 April 2009	Quarterly Activities Report
30 April 2009	Quarterly Cashflow Report
6 April 2009	Notice of Annual General Meeting/Proxy Form

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

## 7.2 Directors' Interests

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

- (a) the formation or promotion 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 securities pursuant to this Prospectus; or
- (c) the Offer of securities 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 firm in which any such Director is a partner, 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 formation or promotion of the Company or Offer of securities pursuant to this Prospectus.

Directors' relevant interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement to Shares
C Rowe	1,871,997*	-	1,871,997
I Burgess	298,376	142,857	298,376
H Dawson	206,400*	-	206,400
L Wale	-	-	-

\*Held indirectly

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors a sum not exceeding

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such fixed sum per annum as may be determined by the Company in a general meeting, to be divided among the non-executive Directors as determined by the Directors and in default of agreement, then in equal shares.

For the year ended 31 December 2009, the Company paid a total of \$331,370 to all Directors as remuneration for services provided by all Directors (executive, non-executive and alternate), companies associated with those Directors or their associates in their capacity as directors, employees, consultants or advisers (and including superannuation payments). Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly 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.

### **7.3 Interests of Experts and Advisers**

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within two (2) years before the lodgement of this Prospectus with the ASIC, any interest in:

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

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other 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, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer of securities pursuant to this Prospectus.

### **7.4 Legal Proceedings**

There is no material litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

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## 7.5 Estimated Expenses of Offer

The estimated expenses of the Offer are as follows:

ASIC and ASX fees	\$6,000
Professional fee expenses	\$2,500
Share register	\$3,300
Printing and other expenses	\$5,000
Broker to issue fee (1% of the Issue)	\$14,249
Placement fee (5% of estimated Shortfall of 30%)	<u>\$21,373</u>
<b>Total</b>	<u>\$52,422</u>

## 7.6 Market Price of Shares

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

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

Highest: \$0.15 on 8 February 2010; and

Lowest: \$0.05 on 13 October 2009.

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.15 on 8 February January 2010.

## 7.7 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 on +61 8 9478 5399 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.

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**8. AUTHORITY OF DIRECTORS****8.1 Directors' Consent**

Each of the Directors of DVM International Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

Dated the 8<sup>th</sup> day of February 2010

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**Howard Dawson**  
**Director**

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## 9. DEFINITIONS

**Applicant** means a Shareholder or other party who applies for Shares pursuant to the Offer.

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

**ASTC Settlement Rules** means the settlement rules of the securities clearing house which operates CHES.

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

**Board** means the board of Directors unless the context indicates otherwise.

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

**Closing Date** means the closing date of the Offer, being 5pm (WST) on 19 March 2010 (unless extended).

**Company** means DVM International Limited (ABN 80 072 964 179).

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

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

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

**DJ Carmichael** means Carmichael Corporate Pty Ltd (ABN 75 088 006 160).

**Dollar** or "\$" means Australian dollars.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Entitlement and Acceptance Form** means the entitlement and acceptance form either attached to or accompanying this Prospectus.

**Group** means the Company and its controlled entities.

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

**Offer** or **Issue** means the non-renounceable entitlement offer of one (1) Share for every one (1) Share by Shareholders as at the Record Date, further details of which are included in Section 3 of this Prospectus.

**Offer Period** means the period commencing on the Opening Date and ending on the Closing Date.

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

**Option** means an option to acquire a Share.

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**Placement Agreement** means an agreement dated 18 January 2010 between the Company and DJ Carmichael.

**Prospectus** means this prospectus.

**Quotation** and **Official Quotation** means official quotation on ASX.

**Record Date** means 5pm (WST) on 25 February 2010.

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

**Share Registry** means Security Transfer Registrars Pty Ltd.

**Shareholder** means a shareholder of the Company.

**WST** means Western Standard Time, Perth, Western Australia.