



# ENESEX N.L.

ABN 28 160 818 986

## INFORMATION MEMORANDUM

**Information Memorandum issued in support of an application for admission to the Official List of Companies maintained by ASX Limited**

**This document is not a Prospectus, Offer Information Statement or other disclosure document within the meaning of the Corporations Act 2001. It is an Information Memorandum issued in support of an Application by EneGex NL for admission to the Official List of companies maintained by ASX Limited.**

**This document does not contain any offer of securities for subscription or sale.**



**ANY INVESTMENT IN THE COMPANY'S SECURITIES SHOULD BE CONSIDERED SPECULATIVE**

This Information Memorandum is an important document and should be read in its entirety. If after reading this Information Memorandum you have any questions about EneGex NL or its securities and you propose to deal in those securities, then you should consult your professional advisor.

## **CORPORATE DIRECTORY**

### **BOARD OF DIRECTORS**

Graeme Alan Menzies (Chairman)  
Robert John Coppin  
Brett Dean Maltz

### **COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER**

Robert John Wright

### **REGISTERED OFFICE**

Level 21  
500 Collins Street  
Melbourne, Victoria 3000

Telephone: +61(0)3 8610 4713  
Facsimile: +61(0)3 8610 4799

### **AUDITOR**

Grant Thornton Audit Pty Ltd  
The Rialto Level 30  
525 Collins Street  
Melbourne, Victoria 3000

### **SHARE REGISTRY**

Link Market Service Limited  
Level 1, 333 Collins Street  
Melbourne, Victoria 3000  
Telephone: +61 (0)3 9615 9947  
Facsimile: +61 (0)3 9633 8495  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### **WEBSITE and EMAIL**

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

[admin@enegex.com.au](mailto:admin@enegex.com.au)

### **INCORPORATION**

Incorporated in Victoria on 17 October 2012

### **ASX CODES**

ENX: 53,666,491 ordinary shares  
ENXO: 7,357,105 options

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## CHAIRMAN'S LETTER

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### **ENEGEX N L**

ABN 28 160 818 986

Level 21  
500 Collins Street  
Melbourne Victoria 3000 Australia  
Tel: (+61 3) 8610 4700  
Fax: (+61 3) 8610 4799  
Email: admin@enegex.com.au

Dear Shareholder,

This Information Memorandum has been issued by EnegeX N L for the purpose of qualifying EnegeX N.L. ("EnegeX") for admission to the Official List of ASX Limited following its demerger from Moby Oil & Gas Limited ("Moby") pursuant to schemes of arrangement entered into between Moby and its members and optionholders.

Full details of EnegeX's oil and gas interests and its present activities are set out in this Information Memorandum. You should read this Information Memorandum carefully before you make any decision to deal in EnegeX Shares or Options.

EnegeX has a small capital base with 53,666,491 fully paid Shares on issue, which are held by in excess of 1,500 shareholders, together with 7,357,105 Options (exercisable at \$0.10 up to 30 June 2015) held by 112 Optionholders.

Your attention is drawn to some of the key risks which are detailed in this Information Memorandum generally and in Section 10 in particular and to the fact that EnegeX has limited funds. Clauses 13, 43 and 44 and contains further information as to EnegeX's work programs and its capacity to fund operations over the next two year period.

You will see that EnegeX has sufficient working capital to meet its corporate overheads and current projected expenditures during that period except that, like most listed junior oil and gas exploration companies operating offshore, it presently does not have sufficient funds to participate in the drilling of any wells in the foreseeable future.

In Vic/P47, EnegeX will not participate in the drilling of any well unless the Permit is first farmed out, with the farminee assuming the obligation to drill such a well. In this context BAS, as Operator, has advised that an unnamed third party is reviewing data on Vic/P47 with the prospect of farming into the Permit. Whether those discussions will lead to a farm in is unknown. (See clause 29 below.)

In WA-342-P, the proposed work program for the intended application for a Retention Lease will contain the drilling of a production test well but that well will be proposed for year five of the initial term of the Retention Lease.

This Information Memorandum does not contain any offer of securities by EnegeX. It is for information only but, before you deal in the EnegeX Shares and/or Options which you have received under the demerger of EnegeX from Moby, I ask you to read it carefully and in its entirety and seek financial and other advice as you may require if there are matters you do not understand.

Yours sincerely



**Graeme Menzies**  
Chairman

## SECTION 1

### IMPORTANT NOTICES

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#### 1. APPLICATION FOR LISTING

Application has been made to list all of the Company's existing securities on ASX. This Information Memorandum is issued in support of an application by Eneget for admission to the official List of Companies maintained by ASX.

That ASX may admit Eneget to its Official List and grant quotation to its securities is not to be taken in any way as an indication of the merits of Eneget or those securities.

ASX takes no responsibility for the contents of this Information Memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this Information Memorandum.

#### 2. ISSUER SPONSORED HOLDINGS AND CHESS HOLDINGS

Eneget participates in the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ("ASTC"), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the Shares Clearing House Business Rules.

Eneget operates an electronic issuer-sponsored sub-register and electronic CHESS sub-register. The two sub-registers together make up the Eneget's principal register of shares. Eneget does not issue certificates to its securityholders.

#### 3. TRANSACTION CONFIRMATION STATEMENTS

Transaction Confirmation Statements for all existing members and optionholders accompany this Information Memorandum.

These Transaction Confirmation Statements set out the number of Shares and Options you hold based on your entitlement to Shares and/or Options under the demerger from Moby.

Under the demerger, eligible participants were entitled to one (1) Share for every three (3) Moby shares held on the Record Date to determine entitlements to Shares (1 July 2013) and one (1) Option for every three (3) Moby options held on the Record Date to determine entitlements to Options (30 June 2013). In each case fractions were to be rounded up or down to the nearest whole Share or Option.

If you held your Moby Shares and/or Moby Options on the CHESS sub-register, Eneget will issue you an advice that sets out details of the number of Shares and Options which you hold under the demerger and which are registered on the CHESS sub-register on your behalf. Those holding statements will also provide you with your Holder Identification Number and give details of your Sponsoring Broker.

If you were registered on Moby's Issuer Sponsored sub-register, your Transaction Confirmation Statements will be despatched by the Share Registry and will contain the number of Shares and Options you acquired in Eneget under the demerger, together with your Securityholder Reference Number.

A CHESS Holding Statement or Issuer Sponsored Holding Statement (either a "holding statement") will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder (or Optionholder) may request a holding statement at any other time, however, a charge may be made by the Share Registry for additional statements.

#### 4. FORWARD LOOKING STATEMENTS

Various statements herein constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed herein.

Neither EnegeX any of its Directors or officers, nor any person named in this Information Memorandum or otherwise involved in the preparation of this Information Memorandum, makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement or as to any events or results expressed or implied in any forward looking statement, except to the extent required by law.

The forward looking statements in this Information Memorandum reflect views held only as at the date of this Information Memorandum.

## **5. SUITABILITY OF INVESTMENT AND RISK FACTORS**

Before deciding to invest in EnegeX, prospective investors should read this entire Information Memorandum and, in particular, the summary of the Company's business in Section 6, the Independent Accountant's Report in Section 15 and the risk factors in Section 10. They should carefully consider this information in the light of their personal circumstances (including, financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding to invest in EnegeX.

Prospective investors should understand that exploration for oil and gas is both speculative and subject to a wide range of risks and that, unless the Company makes a commercial discovery, they may lose part or all of the value of their investment.

## **6. AUTHORISED INFORMATION**

No person is authorized to give any information or to make any representation in connection with the Company or its activities which is not contained in this Information Memorandum. Any statement, information or representation not contained herein or released by the Company to ASX from time to time may not be relied upon as having been authorized by the Company.

## **7. NATURE OF THIS INFORMATION MEMORANDUM**

This Information Memorandum is not a prospectus, Offer Information Memorandum or any other form of disclosure statement issued under the Corporations Act.

Nothing in this Information Memorandum constitutes an offer or invitation of any kind to purchase or otherwise acquire any marketable securities of EnegeX.

## **8. SUPPLEMENTARY INFORMATION MEMORANDUM**

A supplementary Information Memorandum will be issued if EnegeX or its Directors become aware of any of the following between the issue of this Information Memorandum and the date EnegeX's securities are quoted by ASX; namely if.

- (a) A material statement in the Information Memorandum is misleading or deceptive.
- (b) There is a material omission from the Information Memorandum.
- (c) There has been a significant change affecting a matter included in the Information Memorandum.
- (d) A significant new circumstance has arisen and it would have been required to be included in the Information Memorandum had it arisen prior to the despatch of this Information Memorandum.

## **9. JURISDICTION**

The distribution of this Information Memorandum in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Information Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## **10. DATE OF INFORMATION MEMORANDUM**

This Information Memorandum is dated 28 August 2013.

## **SECTION 2**

### **THE COMPANY'S BUSINESS AND ACTIVITIES**

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This Section contains a brief overview of the primary areas of activity in which the Company is involved. It contains generalised statements only. The information set out in this Section is explained more fully in the Information Memorandum generally.

Reading this Section is not a substitute for reading the Information Memorandum in its entirety.

A failure to read the Information Memorandum in full may result in your making an investment decision without being aware of all relevant matters: including full project details and the risks to which an investment is subject.

#### **11. PRESENT EXPLORATION ACTIVITIES**

Enegex presently holds interests in three Petroleum Exploration permits as follows. As set out in the scheme booklet relating to the Schemes under which Enegex was demerged from Moby, Enegex has acquired its interests in the three Permits from Moby for no consideration other than the assumption of future obligations under each Permit and its associated JVOA in accordance with the terms and conditions of the Permit and the JVOA. No other consideration of any kind was or is payable by Enegex to Moby or any other person in relation to their acquisition. The terms and conditions of each of the Permits and their associated work programs are set out in clause Section 6 in clauses 23 to 29 both inclusive.

Full details of the titles to the Permits are set out in the tenement schedule in clause 30.

##### **WA-342-P**

Enegex's most significant present asset is perceived by its Board to be its 14.875% Participating Interest in WA-342-P which contains the Cornea oil & gas field. Full details of WA-342-P and its Contingent Resources are set out herein. Details of those Contingent Resources have been previously released to the market.

In June 2013 NOPTA declared a discovery location over six graticules of WA-342-P and the WA-342-P Joint Venture intends to make application for a Retention Lease over those graticules which comprise the location.

##### **WA-409-P**

Enegex holds a 16.5% Participating Interest in WA-409-P with the benefit of a farmout to Apache.

Apache has a present 40% interest in WA-409-P and is presently carrying out significant works in the current Permit Year and has the right to drill a well in WA-409-P to increase its interest in the permit to a 70% interest. If Apache elects to exercise its right to drill a well, Enegex will be carried through the drilling of the well and its Participating Interest would reduce to 8.75%.

##### **VIC/P47**

Finally, Enegex N L has a 19.25% Participating Interest in Vic/P47 which contains the Judith gas field and the Moby gas field.

The Judith gas field and the Contingent Resources within that field has recently been the subject of further review and update by Gaffney Cline & Associates as set out herein. Details of those Contingent Resources have been previously released to the market.

#### **12. CONTINGENT RESOURCES**

Enegex has Contingent Resources in the Cornea oil and gas field within WA-342-P and within the Judith and Moby gas fields within Vic/P47.

At this stage these Contingent Resources are not commercially recoverable.

Prospective investors should note that “*Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.*”

Prospective Investors must realise that estimates of resources or reserves of any category rely on the integrity, skill, and judgement of the evaluator and are affected by the geological complexity, stage of exploration or development and amount of available data from which they are derived. Any estimate is subject to an inherent level of uncertainty. Section 18 sets out additional information in relation to Reserves, Contingent Resources and Prospective Resources and the manner in which they are classified.

### **13. FUNDING**

Energex has sufficient working capital to meet its corporate overheads and current projected expenditures during over the next two year period except that, like most listed junior oil and gas exploration companies operating offshore, it presently does not have sufficient funds to participate in the drilling of any wells in the foreseeable future.

In Vic/P47, Energex will not participate in the drilling of any well unless the Permit is first farmed out with the farminee assuming the obligation to drill such a well. Insofar as Vic/P47 is concerned, none of the Participants in the Joint Venture presently has sufficient in situ funding to meet their pro rata share of the cost of drilling a well in Vic/P47 and it is unlikely that the Joint Operating Committee under the JVOA would elect to drill a well in Vic/P47 unless the Permit is farmed out with the farminee meeting any drilling obligation. In this context BAS, as Operator, has also advised that an unnamed third party is reviewing data on Vic/P47 with the prospect of farming into the Permit. Whether those discussions lead to a farm in, and if so, what its nature will be, are all presently unknowable. (See clause 29 below.)

In WA-342-P, the proposed work program for the intended application for a Retention Lease will contain the drilling of a production test well but that is proposed to be in year five of the initial term of the Retention Lease. If the to be applied for Retention Lease is granted, it is most probable that the WA-342-P Joint Venture would seek to relinquish the residual part of WA-342-P under the the Petroleum Act at the time of, and in conjunction with, the grant of the Retention Lease. This would be a matter for discussion with NOPTA as Title Administrator under the Petroleum Act.

Limited funding is the most significant risk factor which Energex faces and this is dealt with extensively in Section 10 dealing with risk factors.

### **14. GENERAL MATTERS**

All prospective investors, Members and Optionholders should read this Information Memorandum in its entirety and take particular notice of the financial position of Energex, its joint venture arrangements, proposed exploration and development programmes, relevant technical information and the risks that are all set out in the Sections that follow before they deal in any Shares or Options. All of these factors will affect Energex's future operations and activities. They should carefully consider these factors in the light of their personal circumstances (including their financial capacity and investment and risk profile) and, if necessary, seek professional advice from their accountant, stockbroker, lawyer, licensed financial adviser or other professional adviser before deciding to invest in Energex.

It is the objective of Energex to provide Energex's securityholders with access to the potential for a just reward in return for the high level of financial risk that attaches to oil and gas exploration. While the Board will always strive to reduce and manage risk, a high level of risk is inherent in many aspects of Energex's activities.

The Company's present financial position is set out in Section 5 and in the Independent Accountant's Report in Section 15 while its business and projects are described in Section 6.

The Company is managed by the Directors and the Company Secretary, with the support of senior management and outside consultants.

See Section 4 for details with regard to the qualifications and experience of these persons.

The Company carries on high risk activities, with details of risks set out in Section 10.

## **15. STRATEGY**

Enegex's focus and purpose is to explore for oil and gas, primarily within Australia and its offshore waters. Its present focus is on exploration and development of its existing tenement interests.

Enegex may acquire interests in other permits by, farm-in, purchase or by acquisition. Funding for exploration and any development activities will be sought by farm-out, sale (or partial sale) of interests in Permits, by equity issues and by debt or project finance, as considered applicable from time to time.

The Board is conscious of Enegex's limited financial capacity and is cognizant that, in due course will require it to raise additional capital. The nature and extent of any such capital raising will depend, in part, on the outcome of present activities in relation to its existing Permit interests and in part on the nature and extent of any future acquisitions which may become available.

## **16. EXPERIENCED BOARD**

With Bob Coppin as a Director and with Enegex's management team, Enegex has considerable experience in the oil and gas and resource industries. The Board has a commitment to a high standard of corporate governance.

In due course the Board may be restructured with additional suitably qualified directors being appointed. This may take place in conjunction with future acquisitions or otherwise. However, at this stage there are no proposed future acquisitions and no proposed directors.



## SECTION 3

### ENESEX'S GOALS AND STRATEGIES

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Enege's focus and purpose will primarily be on petroleum exploration and development, operations in the energy sector generally.

Initially its focus will be on petroleum exploration and development with specific reference to the Permits in which it presently has interests. These Permits are described in considerable detail in Section 6 below.

Enege may seek to expand its activities by seeking appropriate investment or acquisition opportunities, whether in petroleum exploration and development assets or more generally within the energy sectors.

Those investment or acquisition opportunities may be by way of farmin or by acquisition, including by acquisition of shares in companies operating in those sectors.

At present, with Enege having limited funds, any acquisition which Enege could contemplate would most likely be an acquisition where the consideration for the acquisition was the issue of shares and/or options. Such an acquisition may be accompanied by an appropriate capital raising and the implementation of such an acquisition may result in a third party acquiring control of Enege.

If Enege proposes any acquisitions which might require the approval of its members under the Listing Rules or the Corporations Act then Enege will, as necessary, convene appropriate meetings of members in accordance with the requirements of the Listing Rules and the Corporations Act and any relevant ASIC Regulatory Guidelines.

Subject to the above, Enege's exploration focus will be directed at:

- (a) creating value from its present asset base to the extent possible, by a combination of its own exploration efforts and in joint venture with established exploration companies.
- (b) expanding its asset base by appropriate acquisitions as and when they become available in due course. At this stage no acquisitions have been identified or sought.

## SECTION 4

### DIRECTORS AND MANAGEMENT

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#### 17. BOARD

The board of EnegeX comprises Mr Graeme Menzies (presently Executive Chairman), Mr Robert Coppin (Non-Executive Director) and Mr Brett Maltz (Non-Executive Director).

There are no proposed directors.

Details of Directors experience and qualifications are as set out below.

#### **MR GRAEME A MENZIES. L.L.B – EXECUTIVE CHAIRMAN**

Mr Menzies was appointed as a Director of EnegeX on its incorporation on 17 October 2012.

Mr Menzies is a barrister and solicitor. He graduated from Melbourne University in 1971 and qualified for admission to the degree of Master of Laws in 1975. He was admitted to practice in 1972.

Since 1987 Mr Menzies has carried on practice as a sole practitioner under the name of Menzies & Partners. In the course of that legal practice Mr Menzies has been involved in a wide range of activities, including takeovers, litigation in respect thereof, numerous capital raisings and corporate reconstructions. He has been involved as a lawyer in the listing of a large number of public companies ranging from junior explorers to substantial mining companies. Over recent years his activities have focused primarily on corporate reconstructions and capital raisings. Mr Menzies is also a director of Octanex N.L (ASX Code: OXX) and of Moby Oil & Gas limited. He may resign as a director of Moby following its proposed delisting from ASX.

#### **MR ROBERT J COPPIN. B.SC. (HONS) – INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr Coppin was appointed as a Director of EnegeX on its incorporation on 17 October 2012.

Mr Coppin is also a director of Moby Oil & Gas Limited. He will likely resign as a director of Moby following its proposed delisting from ASX.

Mr Coppin graduated from the University of Adelaide in 1965 with a Bachelor of Science with Honours, majoring in Geology and Physics. For the next 45 years he worked in the petroleum exploration industry, beginning with the South Australian Department of Mines and then moving to Esso in Australia and Malaysia where, as Exploration Projects Manager, he was involved in several oil and gas discoveries in the Malay Basin.

After a period with Exxon USA in Houston, Mr Coppin returned to Esso Australia as Western Division Manager in charge of exploration in Western Australia and the Delhi interests in the South Australian Cooper Basin. He then joined Santos Limited as South East Asia Exploration Manager and in this position was responsible for Santos' exploration interests in Papua New Guinea and Malaysia and new venture activities in Vietnam, Cambodia, Thailand and Myanmar.

From 1994 to 2010, Mr Coppin was with Cue Energy Resources Limited where he oversaw that company's focus on Papua New Guinea, Indonesia, New Zealand and Australia. For the last 12 of those years he was Chief Executive Officer of Cue. During the period at period he was Chief Executive Officer Mr Coppin oversaw Cue's growth to a robust position as a significant small cap oil company.

Mr Coppin has had a long career in the oil industry spanning 45 years. He is well-respected in the industry and been an active member of the Australian Petroleum Production & Exploration Association Ltd ("APPEA"), being a Board member for 10 years and Chair of the APPEA Exploration Committee for 8 years.

Mr Coppin is a qualified geophysicist and adds technical expertise to the Board.

## **MR BRETT D MALTZ. B.BUS, CA – INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr Maltz is a Chartered Accountant with more than 15 years' experience and a background in both public practice and commerce. He has been involved in a wide range of corporate transactions in the resources, funds management and financial services industries. He joined the Albers Group in 2008 as tax manager.

Prior to the Albers Group, Mr Maltz worked in the funds management industry, with full responsibility for the taxation requirements of a large fund manager and its property, agriculture and venture capital funds. He commenced his professional career in the mid-1990s at national chartered accounting firms in Sydney and Melbourne, advising high net worth individuals and corporate entities.

Mr Maltz is a member of the Institute of Chartered Accountants in Australia and is a registered Tax Agent. He has been a director since 13 February 2013.

## **18. ENEGEX MANAGEMENT TEAM**

In addition to the Directors, each of the following persons is part of the EnegeX management team.

## **MR ROBERT J WRIGHT. B.BUS, CPA – CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY**

Mr Wright is a senior financial professional with over 25 years commercial experience in the resource, energy and manufacturing industries gained at various companies and locations, including fourteen years at BHP and three years at Ticor Resources Limited. He is the company's Chief Financial Officer and the Company Secretary of several listed and unlisted exploration companies. Mr Wright is a member of CPA Australia and has substantial experience and knowledge in resource based financial processes and management.

## **DR SIMON STURROCK. B.SC. (HONS), PH.D – CONSULTANT GEOSCIENTIST / EXPLORATION MANAGER**

Strat Trap Pty Ltd which is a successful geological interpretation consultancy based in Perth, whose principal technician and director is Dr Simon Sturrock, advises the WA-342-P Joint Venture, of which EnegeX is a part, in relation to WA-342-P and Cornea, which your Board perceives as EnegeX's most significant asset.

Dr Sturrock is a seismic interpreter and sequence stratigrapher with 29 years international and Australasian exploration and development experience, including 11 years with British Petroleum.

Dr Sturrock has been the primary consultant to the WA-342-P Joint Venture during its term and is currently focused on the WA-342-P Joint Venture's application for a Retention Lease over the area of the granted discovery location for the Greater Cornea Field as defined and described in detail in clauses 26 to 28 below.

Dr Sturrock possesses a unique and powerful skills combination for stratigraphic prediction and has a proven track record in accurately predicting reservoir and seal distribution that has substantially reduced costs and assisted in the discovery of significant hydrocarbons. Dr Sturrock has an extensive knowledge of practical sequence stratigraphy and he is highly experienced in applying these skills to field appraisal and development, exploration prospect and play fairway evaluation and risk analysis.

Dr Sturrock is a member of the Petroleum Exploration Society of Australia, the American Association of Petroleum Geologists, the Petroleum Exploration Society of Great Britain, the Australian Society of Exploration Geophysicists and the Formation Evaluation Society of Australia, as well as being a Fellow of the Geological Society of London. He has also carried out post-doctoral research at the British Museum that was funded by British Petroleum.

## **MR TIM MORRISON B.SC.**

Mr Morrison has been a consultant to the WA-342-P Joint Venture since 2007 and has sufficient experience relevant to the WA-342-P permit and the Contingent Resources of the Greater Cornea Fields to compile the information contained in tables 4 and 5 in clause 27 as a Qualified Petroleum Reserves and Resources Evaluator.

Mr Morrison is a director and principal technician of Abraxas Petroleum Pty Ltd, which company provides consultancy services to the WA-342-P Joint Venture with regard to the WA-342-P permit and the Cornea Field. Abraxas Petroleum Pty Ltd is a geological interpretation consultancy based in Vienna, Austria.

Mr Morison is a graduate of the University of Adelaide and holds a Bachelor of Science, majoring in Geology & Geophysics, from that university. He has over 33 years international and Australasian exploration and development experience in the oil and gas industry, including over 31 years estimating reserves and resources.

Mr Morison is a member of the American Association of Petroleum Geologists (AAPG), Petroleum Exploration Society of Australia (PESA), Formation Evaluation Society of Australia (FESAus) (ex President), Petroleum Exploration Society of Great Britain (PESGB) and European Association of Geoscientists and Engineers (EAGE).

Mr Morison's experience includes eight years with Western Mining Corporation Ltd, five years with KUFPEC Australia Pty Ltd, three years with Stirling Resources NL and eight years with OMV Australia Pty Ltd and OMV AG. He was Exploration Manager with both Stirling Resources Limited and OMV AG (Vienna, Austria).

## **SECTION 5**

### **CAPITAL STRUCTURE AND FINANCIAL POSITION**

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#### **19. ENEGEX CAPITAL STRUCTURE**

Enegex was incorporated on 17 October 2012 as a subsidiary of Moby with an issued capital of 5 shares. The issue of 53,666,486 Shares pursuant to the demerger from Moby has increased its share capital to the present total of 53,666,491 Shares on issue.

These 53,666,491 Shares are held by in excess of 1,500 shareholders. All of the Shares are ordinary shares ranking equally for all purposes. Full details of the rights attaching to the shares are set out in clause 47 below.

Additionally Enegex has a total of 7,357,105 Options on issue held by 122 Optionholders.

The Options are exercisable at \$0.10 (10 cents) up to 5.00 pm (AEST) on 30 June 2015. Full details of terms of the Options are set out in clause 48 below.

#### **20. PROFITABILITY**

Enegex is not currently profitable and is not expected to operate on a profitable basis due to the nature of its business.

#### **21. ENEGEX'S DIVIDEND POLICY**

Enegex has not paid any dividends since incorporation and there is no reasonable prospect of Enegex paying dividends in the foreseeable future.

#### **22. FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S REPORT**

The Directors of the Company are responsible for the preparation and presentation of the Company's financial statements which will be prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia ("AGAAP"), which ensure compliance with AIFRS, the Australian equivalents to IFRS (International Financial Reporting Standards).

The Independent Accountant's Report set out in Section 15 below contains the audited financial statements of Enegex as at 30 June 2013 and a pro forma balance sheet for Enegex based on the assumptions that Enegex completes the acquisition of the Permit interests as set out herein and that the Schemes of arrangement entered into between Moby and its members and optionholders which came into effect on 24 June 2013 are fully implemented with Enegex being admitted to the official List of ASX.

Enegex's financial statements as at 30 June 2013 were audited by Grant Thornton in accordance with Australian Auditing Standards. The audit opinion and review statement relating to those financial statements were unqualified. Essentially, those audited accounts showed assets of \$1.00 cash at bank, contributed capital of \$1.00, other assets and no liabilities. A copy of the Enegex's audited financial statements has been lodged with ASX with Enegex's application for Listing.

The Pro Forma Statement of Financial Position set out below has been set out to incorporate information relevant to the calculation of the Subscription Moneys so as to give a fair representation of Enegex's financial position on listing. For this purpose an assumed Subscription Date of 5 August 2013 is used as this is the latest date to which financial information relating to Moby can be accessed. Accordingly, it should be understood that the pro forma statement of financial position of Enegex set out below is indicative only.

In accordance with normal practice Enegex will, immediately prior to Listing, make additional pre-listing disclosures including a Statement of Financial Position based on actual subscription and expenditures rather than estimates.

**Enegex Actual as at 30 June 2013 and Pro Forma Statement of Financial  
Position based on assumed Subscription Date of 30 June 2013**

	<b>Enegex Audited 30 June 2013</b>	<b>Enegex Proforma Assumes Subscription on 30 June 2013</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1	1,096,907 <sup>1</sup>
Trade and other receivables	-	-
<b>Total current assets</b>	1	1,096,907 <sup>1</sup>
<b>NON-CURRENT ASSETS</b>		
Receivables	-	-
Other financial assets	-	-
Goodwill	-	-
Exploration costs	-	- <sup>2</sup>
<b>Total non-current assets</b>	1	-
<b>TOTAL ASSETS</b>	1	1,096,907 <sup>1</sup>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	-	120,000 <sup>2</sup>
<b>Total current liabilities</b>		120,000 <sup>2</sup>
<b>NON-CURRENT LIABILITIES</b>		
Payables	-	-
<b>Total non-current liabilities</b>	-	-
<b>TOTAL LIABILITIES</b>	-	120,000 <sup>3</sup>
<b>NET ASSETS</b>	1	976,907
<b>EQUITY</b>		
Contributed equity	1	1,096,907 <sup>4</sup>
Reserves	-	-
Accumulated losses	-	(120,000)
<b>Total Equity</b>	1	976,907

**Notes:**

- <sup>1</sup> Cash at bank after receipt of Subscription Moneys. Includes initial subscription amount of \$1.00 on incorporation. Assumes Subscription Moneys of \$1,096,906 subscribed by Moby in accordance with the Implementation Agreement entered into between Moby and Enegex as contained in accordance with the scheme booklet in relation to the Schemes.
- <sup>2</sup> Enegex acquires Participating Interests in WA-342-P, WA-409-P and Vic/P47 in consideration of meeting pro rata future work commitments under the terms of Permits as set out in this Information Memorandum.
- <sup>3</sup> Cost of listing Enegex of \$120,000 payable by Enegex based upon the following agreed amounts and estimates regarded by the Board as reasonable;

(a) Fee for independent Accountant's report;	\$4,000
(b) Fee for audit of Enegex accounts as at 30 June 2013	\$1,000
(c) Initial Listing Fees	\$29,403
(d) Share Registry Fees	\$5,000
(e) Printing and mailing Costs	\$40,000
(f) Legal Fees and Consultants fees	\$40,000
(g) Rounding adjustment	\$261
- <sup>4</sup> Enegex, in consideration of the subscription of the Subscription Moneys, and in consideration of the cancellation of the Moby Shares held by the Participating Shareholders under the Share Scheme, issues and allots to each Participating Shareholder One (1) Share for every Three (3) Moby shares held on the Record Date to determine entitlements to Shares under the Share Scheme, being an aggregate of 53,666,486 ordinary shares (subject only to rounding), increasing contributed equity to \$1,096,907 and Shares on issue to 53,666,491 Shares, each Share credited as fully paid up.

**Table 1: Pro Forma Statement of Financial position on Subscription**

## SECTION 6

### ENEGEX: ITS BUSINESS AND PROJECTS

#### 23. BUSINESS OVERVIEW

Enegex is a petroleum exploration company incorporated in Australia as a No Liability company. It has no subsidiary entities.

Enegex holds working interests in three petroleum exploration permits in the offshore basins of Australia. One is located in the Carnarvon Basin (WA-409-P), one in the Browse Basin (WA-342-P) and one in the Gippsland Basin (Vic/P47). Details of these permits are set out below.

#### 24. CARNARVON BASIN INTEREST

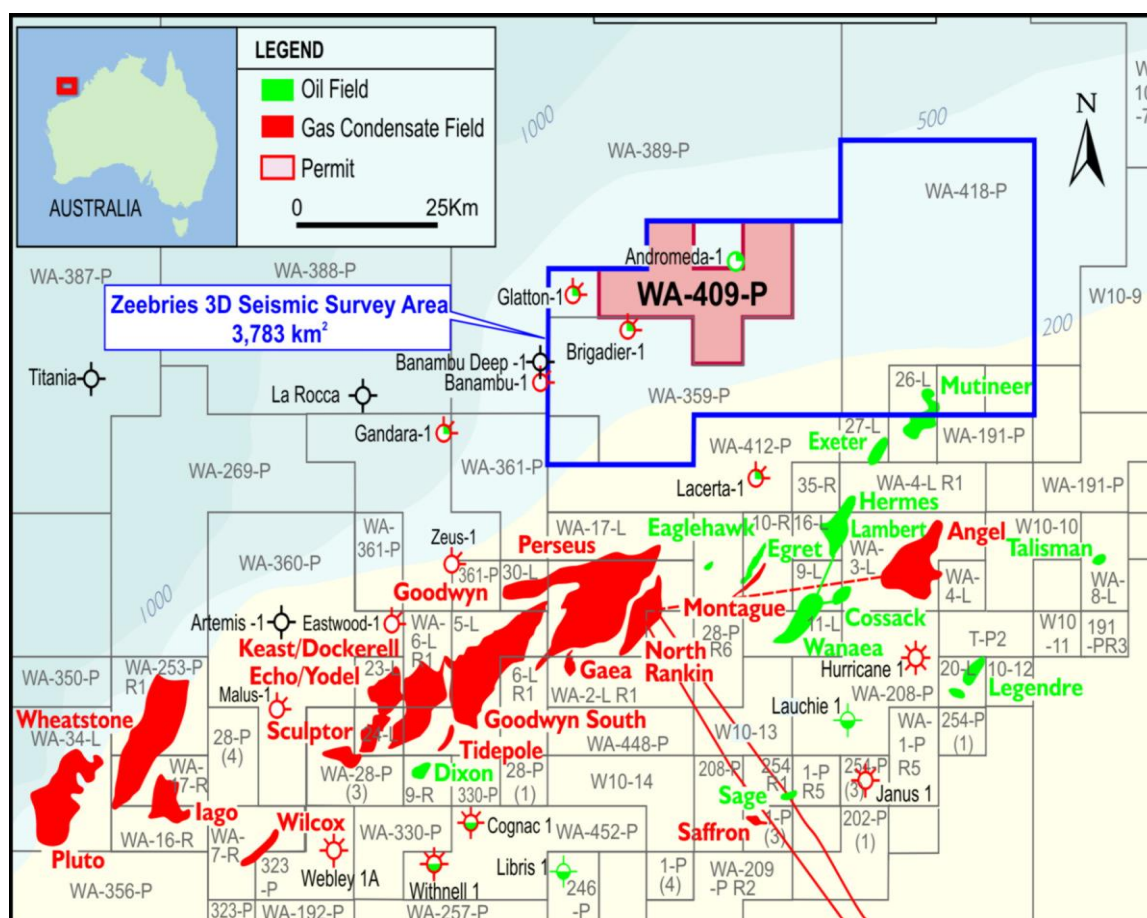
##### WA-409-P – Carnarvon Basin

The WA-409-P Joint Venture consists of the following parties:

Apache Northwest Pty Ltd	40.00% and Operator
Rankin Trend Pty Ltd (subsidiary of Moby Oil & Gas Limited)	13.50%
Enegex NL *	16.50%
Cue Exploration Pty Ltd	30.00%

\* subject to approval and registration by NOPTA

The WA-409-P permit is displayed in the Carnarvon Basin Permit Location Map below.



On 20 October 2010, Rankin Trend Pty and Cue entered into the Apache Farmin Agreement (described in clause 34) under which Apache earned a 40% Participating Interest in, and operatorship of WA-409-P by acquiring, processing, mapping and interpreting the Zeebries 3D seismic survey at its cost.

Apache has the right to earn an additional 30% equity interest in WA-409-P by funding up to 100% of the costs of the first well to be drilled in the Permit.

EnegeX has acquired its current 16.5% Participating Interest in WA-409-P subject to the operation of the Apache Farmin Agreement.

Total expenditure by, or on behalf of, Rankin Trend in relation to WA-409-P in exploring the Permit is estimated to be an amount of \$1,871,590 to date, including a pro rata share of the cost of acquiring, processing, mapping and interpreting the Zeebries 3D seismic survey, but excluding any costs related to the amended Permit Year 6 work program. While the estimated cost of the amended Permit Year 6 work program is \$900,000, of which 30% is attributable to Rankin Trend's and EnegeX's aggregate present 30% interest in the Permit, it is not presently known what actual expenditure on that work program has been to date. That information will not be known until after the close of Permit Year 6.

If Apache elects to drill a well in WA-409-P, EnegeX's interest, which is presently 16.5%, will reduce by a further 30% to 8.25% but EnegeX would be free carried through the well.

Under the Apache Farmin Agreement Rankin Trend has the right to retain a further 5% Participating Interest by funding that interest through the well Apache might drill. That right to retain a further 5% interest will accrue to EnegeX if not exercised by Rankin Trend. Given EnegeX's limited financial capacity it is unlikely that it would exercise that right unless it was able to raise equity funds on sufficiently attractive terms to fund that additional cost.

Under the terms of the Apache Farmin all work commitments under the WA-409-P Permit are presently being met by Apache.

Under clause 4.1 (b) of the Apache Farmin, Apache's funding obligation is to fund *"one hundred per cent (100%) of the Farmers' Participating Interest shares of all costs properly chargeable to the Joint Account under the JOA between the Execution Date and the Reassignment Date or the spud date of the Well, whichever is the later"*.

WA-409-P is currently in Permit Year 6 which ends on 29 April 2014.

In Permit Year 5, Apache carried out an extensive subsurface evaluation work programme comprising the interpretation of ca. 566 km<sup>2</sup> of Zeebries 3D seismic data, geological studies to establish the Mesozoic stratigraphic framework within the permit, and hydrocarbon charge modelling to assess the timing, nature and likelihood of hydrocarbon charge into the closures identified.

The subsurface technical studies undertaken during Permit Year 5 resulted in the identification of two leads, "Brigadier Updip" and "Python".

The Lower Jurassic Python lead is assessed to be small and economically unviable, while the Middle Jurassic Brigadier Updip lead, although larger, is currently considered to be poorly-defined and high-risk.

The WA-409-P Joint Venture concluded that additional subsurface technical studies were required to allow the lead to be better defined and de-risked, and to enable the Titleholders to make an informed decision as to whether to enter into a drilling commitment in the permit.

On 24 April 2013 NOPTA approved an application to vary the Permit Year 6 work program to a program comprising PSDM Reprocessing of 566 km<sup>3</sup> 3D seismic data, QI Study (rock physics modelling/simultaneous inversion/fluid & lithology prediction) and Geotechnical Studies. In the letter of approval of the varied work program for Permit Year 6, NOPTA stated because there is now no drilling commitment in the present term of the Permit, it is reasonable to expect that an exploration well will be included in the primary work program should the permittees elect to renew the permit and that, in this regard, the Joint Authority noted Apache's commitment to drill an exploration well in Permit Year 1 should the Permit be renewed. If Apache participates in the renewal, the drilling of that well will be Apache's obligation under the Apache Farmin Agreement.



Under the revised work program approved by NOPTA, it is proposed to reprocess an approximate 566 km<sup>2</sup> sub-set of the Zeebries 3D seismic survey in order to provide new 3D PSDM data volumes over the entire WA-409-P permit area.

The geotechnical studies proposed to be carried out in Permit Year 6 will focus on de-risking the Brigadier Up dip lead and will comprise the following:

1. A review of geochemical and palynological data from offset wells;
2. Seismic re-interpretation and seismic facies interpretation studies;
3. Reconstruction of Apache's regional Northern Exmouth Plateau hydrocarbon charge model;
4. A cross-fault seal risk study; and
5. A regional North Rankin Formation porosity study (for the Python lead).

The cost of the varied work program, as advised by Apache when lodging the variation application (and as set out in the instrument of variation) was \$900,000, which will all be met by Apache under the terms of the Apache Farmin Agreement.

There is no certainty that the results of the studies will be such as to merit application for renewal with a well commitment in the first year of the renewed term.

The terms of the current work program for WA-409-P and the timetable for its implementation are as follows.

Year of Term of Permit	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Estimated Expenditure Constant dollars (indicative only) A\$
1	30/04/08	29/04/09	Geotechnical Studies	250,000
2	30/04/09	29/04/10	Geotechnical Studies	250,000
3	30/04/10	29/04/11	1400 km New 2D Seismic Survey	2,500,000
4	30/04/11	29/04/12	Geotechnical Studies	250,000
5	30/04/12	29/04/13	Geotechnical Studies	250,000
6	30/04/13	29/04/14	PSDM Reprocessing of 566 km <sup>3</sup> 3D seismic data	500,000
			QI Study (rock physics modelling/simultaneous inversion/fluid & lithology prediction)	250,000
			Geotechnical Studies	150,000

**Table 2: WA-409-P: Current Work Commitments (as varied for Permit Year 6)**

Energex will have no liability to meet any expenditure obligations in satisfaction of the work commitments (as varied) as these will continue to be met by Apache under the Apache Farmin Agreement.

The effect of the above is that Energex will not assume any contractual obligation by virtue of the current Permit terms and conditions or otherwise under the JVOA.

If the Permit is renewed because the results of the studies currently being carried out by Apache merit application for renewal and Apache participates in the renewal, Apache will be bound, under the Apache Farmin Agreement and the terms of renewal indicated above, the drilling of that commitment well will meet Energex's work commitment for Permit Year 1 of the Primary Term of the renewed Permit. Energex would then become liable for its then reduced pro rata share of the cost of work programs for Permit

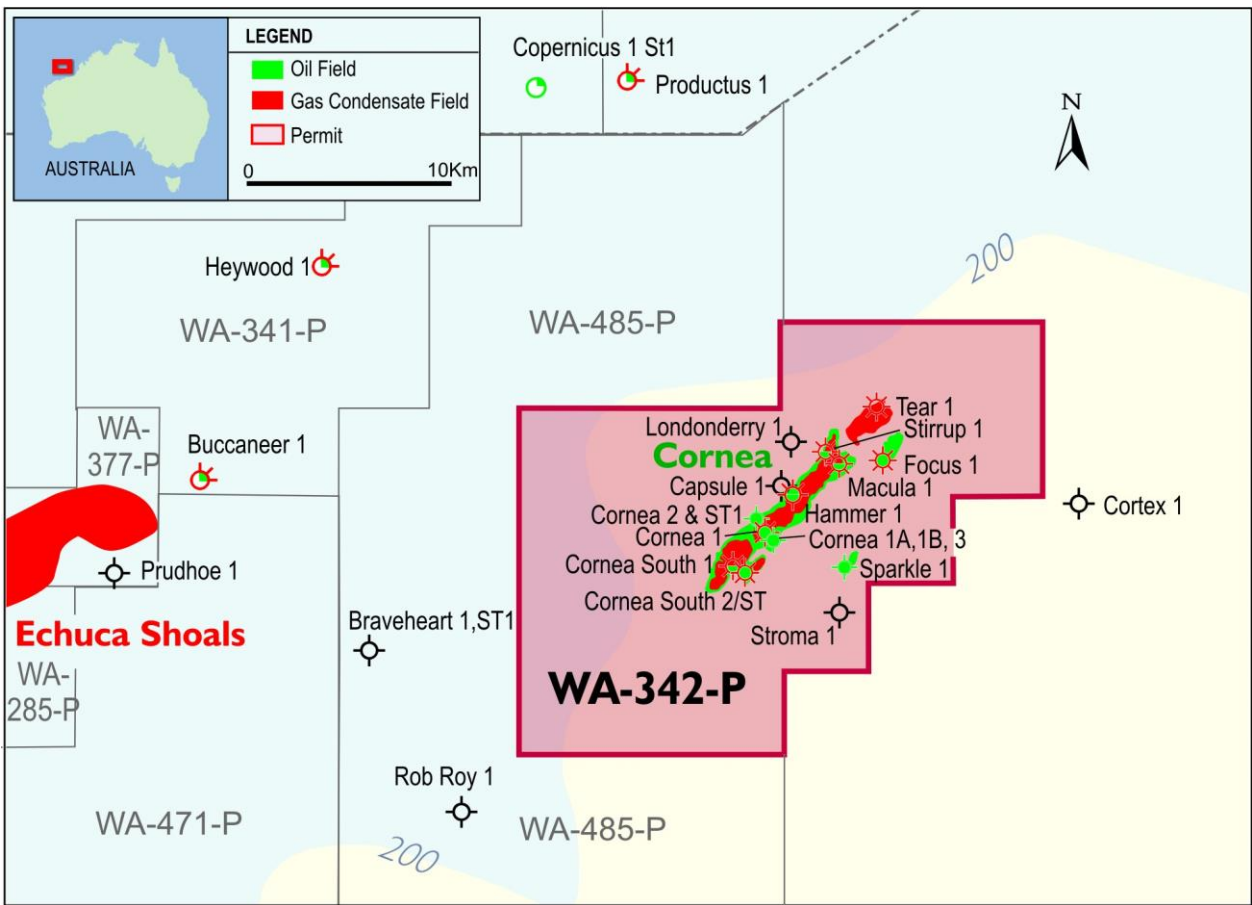
Years 2 and 3 of the Primary Term of the renewed Permit with Permit Year 2 of the renewed Permit term commencing on 30 April 2015 and ending 29 April 2016.

Those work programs are presently unknown but would not include the drilling of a second well in the Primary Term.

If the well was drilled by Apache, but was unsuccessful and was plugged and abandoned, then it is likely the Joint Venture would seek to relinquish the Permit in good standing under the the Petroleum Act. This would be a matter for discussion with NOPTA as Title Administrator under the Petroleum Act.

**25. BROWSE BASIN INTEREST**  
**WA-342-P – BROWSE BASIN**

WA-342-P is located in the Caswell Sub-basin of the Browse Basin, offshore from Western Australia, and covers an area of approximately 1,755 km<sup>2</sup> - see the following Permit Location Map (Figure 2).



**Figure 2: WA-342-P Location Map**

The Operator of the Permit is Cornea Resources Pty Ltd and the Permit is held by the Cornea Joint Venture, which consists of the following interests:

Moby Oil & Gas Limited	7.500%
Energex NL *	14.875%
Cornea Oil & Gas Pty Ltd	17.000%
Cornea Petroleum Pty Ltd	14.875%
Cornea Resources Pty Ltd	13.100%
Octanex N.L.	10.250%

Cornea Energy Pty Ltd (subsidiary of Octanex N.L.)	8.500%
Coldron Pty Ltd	7.500%
Auralandia N.L.	6.400%

\* subject to approval and registration by NOPTA

Moby previously held a 22.375% Participating Interest in WA-342-P and Enege's 14.875% Participating Interest is derived from the Moby holding.

Moby acquired its 22.375% interest in WA-342-P by farming into each of Cornea Petroleum Pty Ltd and Coldron Pty Ltd and by funding 44.750% of the cost of drilling the Cornea 3 Well, up to a cap of \$10,800,000. The farm-in was approved and ratified by the members of Moby at a General Meeting on 23 November 2009.

Moby's total expenditure in relation to exploring WA-342-P is in excess of \$8,576,269 to date.

### Renewal of Permit and Work Programs

In late December 2010, the Joint Venture was offered and accepted a renewal of the WA-342-P permit for a 5 year term that commenced on 4 January 2011.

The committed work programme in the first three years calls for studies and an exploration well, followed by reprocessing of 3D seismic data and further studies in the last two years of the term.

The present work program and timetable for its implementation is as follows.

Year of Term of Permit	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Estimated Expenditure Constant Dollars (indicative only) A\$
1	4/01/2011	3/01/2012	Geotechnical Studies	250,000
2	4/01/2012	3/01/2013	Geotechnical Studies	250,000
3	4/01/2013	3/01/2014	One (1) Exploration Well	20,000,000
4	4/01/2014	3/01/2015	1000km <sup>2</sup> 3D Seismic Reprocessing (from field tapes)	1,500,000
5	4/01/2015	3/01/2016	Geotechnical Studies	250,000

**Table 3: WA-342-P Work Commitments**

The WA-342-P permit is currently in Year 2 of its first 5-year renewed term. An application for a suspension and extension of Permit Year 2 remains pending with the Joint Authority. This means Permit Year 2 continues while that application remains pending with the Joint Authority. The further effect of this is detailed later in this Section.

The WA-342-P permit contains the Cornea oil and gas accumulations, which were discovered in 1997 by Shell Development Australia (**Shell**). The oil and gas accumulations include the Cornea South and Cornea Central Oil Fields and the Cornea North (**Tear**) Gas Field (collectively the **Cornea Field**) and the Focus and Sparkle Oil Fields (all collectively the **Greater Cornea Fields**).

Following the Cornea-1 oil and gas discovery well, drilled by Shell in 1997 on the Cornea Central closure, a further nine exploration and appraisal wells penetrated the greater Cornea closure. A gas cap with a 12m oil rim was discovered in the Cornea South closure and Tear-1 clipped the edge of a gas cap with no oil rim in the Cornea North closure. An additional five exploration wells were drilled on similar basement drape closures, situated to the immediate east of the Cornea Field, two of them discovering oil (in Focus-1 and Sparkle-1) in the same Middle Albian shallow marine sandstone reservoir as the oil and

gas discoveries in the Cornea Field. However, neither these nor the Cornea closures were deemed to be commercially viable when the relevant exploration permits were relinquished in 1999.

The Cornea-1 oil and gas discovery well, as well as the Cornea-1B and 2 wells, were drilled on an unfaulted drape anticline over a basement high and discovered a 25m gas column and a 22.2m oil column in the Albian sandstones of the Jamieson Formation, with 22 to 24 degree API oil derived from Early Cretaceous, Echuca Shoals Formation and possibly Late Jurassic source rocks in the Heywood Graben.

Subject to a decision being made by the Joint Authority in relation to the Year 2 suspension and extension application, the Cornea Joint Venture will not commence the Year 3 work programme, which is to drill an exploration well. In the meantime, a Location has been declared over the Greater Cornea Fields, as referred to below, and a proposal to make an application for a Retention Lease over the area of the area of the Location is close to completion. The Year 3 work programme will therefore remain in abeyance pending the lodgement and Joint Authority's decision on the intended application for a Retention Lease.

### **Cornea-3 well**

Subsequent to Moby entering into the farm-in agreement (detailed in the previous Section), the Cornea Joint Venture drilled the Cornea-3 well in December 2009 at a cost of approximately \$20,188,000.

The results of the Cornea-3 well are discussed below and the well made a significant contribution towards the Cornea Joint Venture obtaining the declaration of a Location over the Greater Cornea Fields and in making any application for a Retention Lease.

The Cornea-3 well penetrated the targeted Middle Albian and Lower Jamieson Formation B and C sand reservoir intervals just below the predicted gas oil contact. The well was then deepened to penetrate exploration targets in the Early Albian and Aptian of the Lower Heywood Formation, terminating at a total depth of 910.6m MDRT (measured depth below rotary table). The data obtained indicated the intersection of a hydrocarbon bearing column in the Middle Albian, Lower Jamieson Formation.

The secondary exploration targets in the Lower Heywood Formation did not contain hydrocarbons.

Due to the glauconitic and argillaceous nature of the rocks, conventional logging tools would have been unable to resolve the reservoir properties, therefore the series of logs run included a Nuclear Magnetic Resonance log. In addition, a wireline formation tester was run to assess the pressure within the reservoir and to take fluid samples.

The results of the drilling and logging of Cornea-3 are summarised as follows:

- An oil column of 20.4m was intersected in Cornea-3 between the top B Unit Middle Albian reservoir sand at 788 m MDRT and the free water level (as defined by logs and pressure data) at 808.4 m MDRT.
- A considerable number of pressure testing results were obtained which allow the establishment of oil and water gradients and the free water level. With the assistance of further exploration wells, this information will better enable exploration for hydrocarbons across the Cornea feature.
- The condition of the hole through the hydrocarbon bearing section enabled the recovery of high quality data from the Nuclear Magnetic Resonance (NMR) tool, which has allowed the determination of an average effective, free fluid porosity of 16.4% for the Middle Albian reservoir in this well. The average inferred permeability of the reservoir in Cornea-3 is 100 millidarcies. The NMR tool also indicated an average hydrocarbon saturation of 70% for the free fluid porosity.
- Despite the MDT test tools failing to take oil samples, the derived oil pressure gradient is consistent with 22 API oil and the NMR logging tool determined an oil viscosity ranging from 4 centipoise at the top of the column to 4.3 centipoise at the base, being slightly less viscous than samples recovered and measured from the previous wells in the Cornea Oil Field, which ranged from 5 to 7 centipoise..

The results of Cornea-3 defined the existence of an oil column beneath the gas cap in this segment of the Cornea Central closure.

## 26. DECLARATION OF A LOCATION

On 6 June 2013, NOPTA declared a Location over the Greater Cornea Fields. The Location covers six (6) graticular blocks within WA-342-P - see the following Cornea Location Map (Figure 3).

This declaration of a Location is a necessary initial step in the process towards lodging a Retention Lease application over the Greater Cornea Fields.

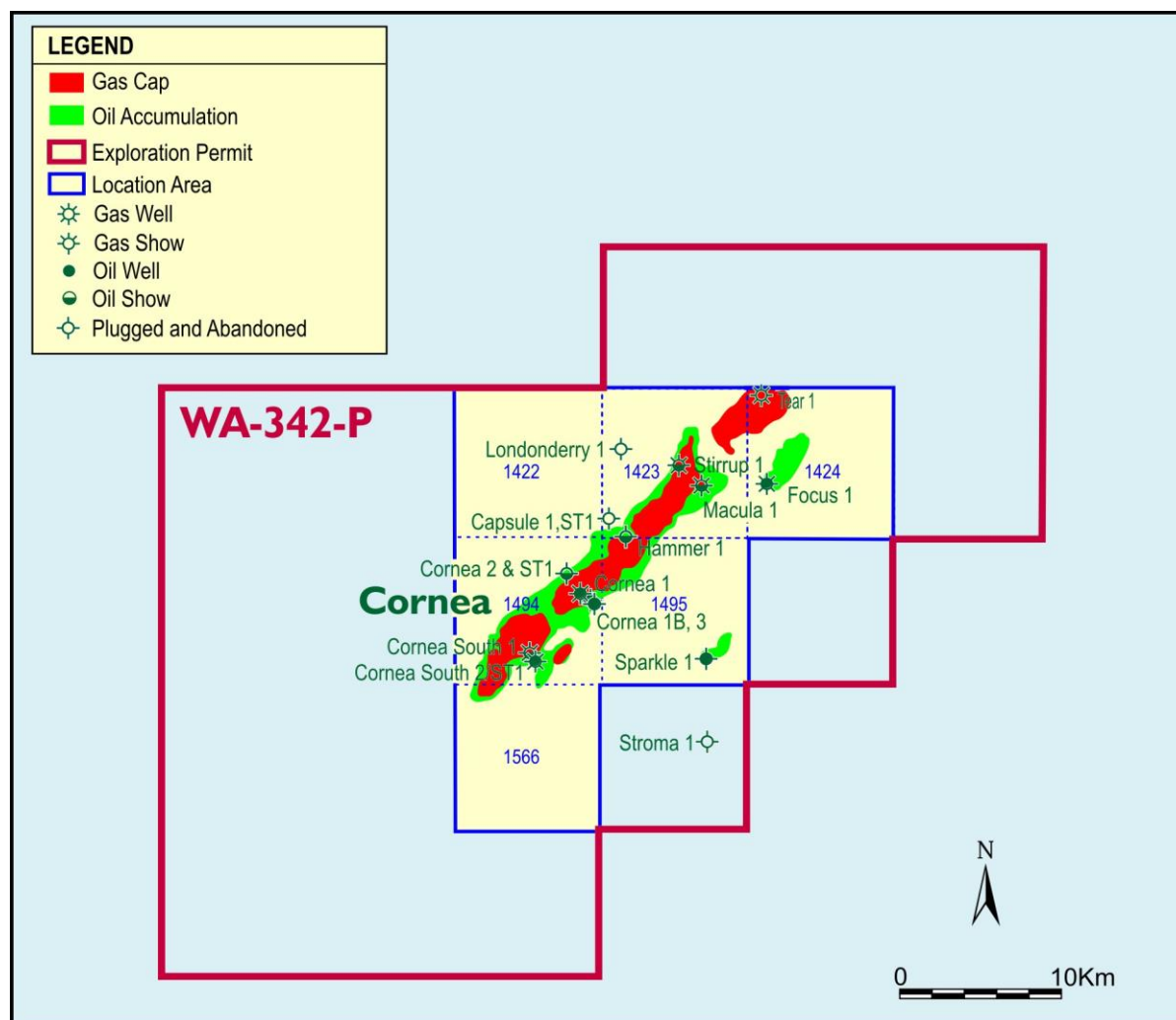


Figure 3: Map of WA-342-P and the Cornea Location

## 27. CONTINGENT OIL AND GAS RESOURCES

The Cornea Joint Venture has recently completed and announced its determination of the Contingent Resources within the oil and gas accumulations of the Cornea Field.

The determination of the Contingent Resources also forms part of the work necessary to complete the application for a Retention Lease over the Greater Cornea Fields.

Table 4 below presents the probabilistically derived *In-place and Contingent Oil Resources for the Cornea Central and South Oil Fields*, with no development risk having been applied in deriving these volumes.

	Low Estimate	Best Estimate	High Estimate	
Middle Albian B & C Sands	(P90)	(P50)	(P10)	Units
Total Oil In-place	298.0	411.7	567.2	mmbbl
Recovery Factor (RF)	2	7	25	%
Contingent Oil Resources	7.9	28.8	101.9	mmbbl
Prospective Enegex Economic Interest*	1.16	4.28	15.16	mmbbl

\* Based on Enegex acquiring a 14.875% Participating Interest in WA-342-P.

**Table 4: In-place and Contingent Oil Resources for Cornea Central and South Fields**

Table 5 below presents the probabilistically derived *In-place and Contingent Gas Resources for the Cornea Central, South and Tear Oil and Gas Fields*, with no development risk having been applied in deriving these volumes.

	Low Estimate	Best Estimate	High Estimate	
Middle Albian B & C Sands	(P90)	(P50)	(P10)	Units
Total Gas In-place	85.40	118.0	162.5	Bcf
Shrinkage	0.94	0.96	0.99	Factor
Recovery Factor	50	60	70	%
Contingent Gas Resources	46.7	67.1	95.5	Bcf
Prospective Enegex Economic Interest*	6.95	9.81	14.21	Bcf

\* Based on Enegex acquiring a 14.875% Participating Interest in WA-342-P.

**Table 5: In-place and Contingent Gas Resources for Cornea Central, South and Tear Fields**

## 28. APPLICATION FOR A RETENTION LEASE

Following the declaration of the Location, the Cornea Joint Venture intends to make application for a Retention Lease over the Greater Cornea Fields, being the area of the Location.

The application for a Retention Lease will propose a work program which seeks to address the primary constraints or contingencies which result in classification of the oil and gas accumulations in the Greater Cornea Fields as Contingent Resources and prevent those Contingent Resources from being classified as Reserves.

In general terms, the most significant constraints to the commercial viability of a development of the Greater Cornea Field are the technical challenges to production presented by reservoir characteristics that require the deployment of unconventional well completions in order to unlock commercial production from the various reservoirs.

To this end, the work program in the intended Retention Lease application will include undertaking intensive reservoir engineering and facilities studies in order to design a test production program that will address those technical challenges presented by the Greater Cornea Fields. The culmination of this work is intended to be the drilling of a production test well, potentially in Year 5 of the initial term of the Retention Lease, should it be granted.

However, the exact nature of the work program which may be required by the Joint Authority in any Retention Lease which may be offered to the Cornea Joint Venture is unknown. It will be dependent on the Joint Authority's assessment of the intended Retention Lease application work program and what is assessed as necessary to address the primary constraints to commercial viability that have been identified in the application.

The most significant barrier to a development of the Greater Cornea Field is the ability to commercially produce the hydrocarbons from the reservoirs. Consequently, and once the necessary preliminary studies have been completed and the required technology is proven and available, test production of the reservoirs will most likely be required as the pathway to the development phase. The ultimate timing of an initial production test well is therefore uncertain and is dependent on, most importantly, advances in emerging drilling technologies.

Discussions with NOPTA regarding the requirements of the work program for a Retention Lease are yet to occur. It is therefore not yet possible to specify what EnegeX's liabilities may or may not be in relation thereto, assuming it does not rely on the WA-342-P Agreement to avoid contribution to or liability for such costs. See later in this Section for a more complete discussion on Retention Lease applications and associated work programs.

#### **Consequences if the intended Retention Lease application is refused and the Cornea Joint Venture enters Year 3 of WA-342-P but does not drill the commitment well**

If the intended application for a Retention Lease is not approved by the Joint Authority and the Cornea Joint Venture enters Year 3 but does not drill the work commitment well, the Joint Authority may cancel the Permit; with the result that EnegeX would cease to have any interest in the WA-342-P permit and the Greater Cornea Field.

Whether the Joint Authority would or would not cancel the Permit is unknown. These are all matters which will not be known until the intended Retention Lease application has been lodged, assessed by NOPTA and the Joint Authority and a Lease granted, or not granted, to the Cornea Joint Venture. This outcome is potentially six months hence.

In these circumstances, and because the Cornea Joint Venture would not have adopted a work program and budget and approved an Authority for Expenditure in relation to the cost of an exploration well, EnegeX would not be contractually liable to meet any financial obligations in relation to the well. EnegeX would have no need to have recourse to the WA-342-P Agreement and the protection it offers.

Apart from any such possible cancellation of the Permit, where a permit holder is in breach of the terms and conditions of the grant of a permit, as would occur in the above circumstance, that breach or default will be taken into account by the Joint Authority as a factor in the grant of future permits. In those circumstances, the permit holder may be able to enter into an agreement to maintain "*good standing*", as described in the *Offshore Petroleum Guidelines in Permit Conditions and Administration* published by NOPTA.

Briefly, such an agreement requires the defaulting permit holder to undertake to spend an amount equal to the agreed monetary value of the outstanding work commitments on qualifying work in a permit or permits over re-released acreage.

Full details as to the requirements of good standing agreements can be accessed on the NOPTA website at [www.nopta.gov.au](http://www.nopta.gov.au). For further details also see clause 45(v) below dealing with title and tenement risks.

#### **Consequences if the intended Retention Lease application is refused and the Cornea Joint Venture enters Year 3 of WA-342-P and elects to drill the commitment well**

If the Cornea Joint Venture is unsuccessful in obtaining the grant of a Retention Lease and the Permit enters Year 3 and the Cornea Joint Venture determines to drill the work commitment well, EnegeX would rely on the terms of the WA-342-P Agreement, summarised in clause 35 below, to avoid any obligation to contribute to the well unless the drilling obligation was first farmed out.

The cost of any well which is the work program commitment for Year 3 of WA-342-P is not presently quantifiable. Your Board considers it is reasonable to assume that the cost of such a well would at least equal the actual cost of the Cornea-3 well of approximately \$20,188,000. Therefore, EnegeX's presumptive share of the costs of that well would be approximate \$3,000,000.

The actual costs of such a well could exceed that amount or be less. The cost of any well will depend on a wide range of variables including, but not limited to, rig availability and costs, mobilisation and demobilisation costs, the depth to which the well is to be drilled, the depth of water in which the well is to

be drilled, the design of the well and other factors. None of these factors are presently known or accurately calculable in relation to any future well which might be so drilled.

If the Cornea Joint Venture resolved to drill an exploration well and if EnegeX was unable to raise sufficient equity funding to meet its presumptive share of the costs, EnegeX would relinquish its interest in the WA-342-P permit under the terms of the WA-342-P Agreement.

### **Consequences if a Retention Lease is granted**

If the Cornea Joint Venture is successful in obtaining the grant of a Retention Lease, that Lease will contain work commitments in its first 5 year term. These work commitments will be directed at addressing the primary constraints to commercial viability that have been identified in the Retention Lease application. The primary constraints to commercial viability have been detailed earlier in this Section.

### **NOPTA Guidelines for work programs for Retention Lease Applications**

Sections 7.3 and 7.4 from NOPTA's guidelines on Retention Lease Applications are set out below, together with comment in relation to the intended application for a Retention Lease over the area of the Location and the Greater Cornea Fields.

NOPTA's Guidelines provide as follows:

#### ***“Proposed work program in the lease area***

7.3 *As one aim of a Retention Lease is to ensure the holders of the lease actively seek to enhance the commerciality of the relevant discovery, government will assess whether the applicant's proposed work program (if any -see section 7.4 below) for the Retention Lease is adequate:*

(a) *Firstly, the work program should address those primary constraints to commercial viability that have been identified by the assessment;*

(b) *Secondly, the work program should address other important areas where suitable information on which to base decisions is lacking. Hence, for example, further environmental studies may be needed or further seismic definition, appraisal drilling or other technical activity may be appropriate to better define the resource, and;*

(c) *Thirdly, and most importantly, the test as to adequacy should be whether the work program is consistent (in both a timing sense, the activities proposed and the level of effort) with what a reasonable company could be expected to carry out in order to commercialise the project.*

7.4 *In certain cases where the reason for lack of immediate commerciality is outside the power of the lessee (e.g. related to the commodity price) and if there is little scope for proving up additional potentially commercial resources within the lease area, there may be no justification for any work program commitment, or the program may not involve any activity to be undertaken other than, for example, studies to reduce costs.*

7.5 *If the blocks included in the application contain other prospective reservoirs, including potentially drillable prospects, then the application should also contain a strategy for assessing the area including any proposed exploration activity in the lease area. This is to ensure that those parts of the lease area beyond the identified field are adequately explored as if they were part of an Exploration Permit.”*

In relation to Guideline 7.3(a), the intended Retention Lease application will address the primary constraints to commercial viability; which are commodity prices and construction and production costs of any planned production facilities. These are beyond the control of the Cornea Joint Venture, save to the extent that optimal design of production facilities will reduce production costs.

In relation to Guidelines 7.3(b) and (c), the intended Retention Lease application will focus on engineering and production studies; with the aim of enabling optimal design of the most efficient and least capital intensive production facilities and, based on advice from external consultants and



appropriate experts, will include a work program which reflects what is considered appropriate to be carried out to commercialise the Greater Cornea Fields.

Given the matters referred to in the following paragraph in relation to Guideline 7.5, and given that NOPTA states in Guideline 7.4 that: “*if there is little scope for proving up additional potentially commercial resources within the lease area, there may be no justification for any work program commitment*”, the intended Retention Lease application will advise that there is no justification for any work program, other than a work program to address the barriers to commercialisation of the Greater Cornea Fields.

As referred to in Guideline 7.5, there are no “*other prospective reservoirs, including potentially drillable prospects*” in the area of the Location, other than the known Greater Cornea Fields. Put another way, there are no further drillable exploration targets within the area of the Location.

To the extent that Guideline 7.3(b) refers to “*appraisal drilling*”, it needs to be noted that the Cornea-3 well was an appraisal well that was also engineered to address significant additional exploration objectives, which it fulfilled, but Cornea-3 is only one of the wells that have been drilled in, or in the close vicinity, of the Greater Cornea Fields.

For all of the above reasons, the intended Retention Lease application will focus on emerging drilling technology, production and engineering issues, rather than on geological issues. The proposed work program submitted with the application will focus on studies related to the emerging drilling technology, production and engineering issues which represent the primary barriers to commercialisation but will also include a production test well to be drilled, possibly as early as Year 5 of the initial term of the Retention Lease work program.

If a Retention Lease is offered to the Cornea Joint Venture by the Joint Authority, the present directors of Enegex would likely accept the offer with the work program containing an initial production test well for Year 5 of the initial term of the Lease on the basis that, after its grant:

- (a) it is possible the well could be farmed out;
- (b) Enegex may be able to raise the necessary capital to fund its pro rata obligation; or
- (c) if neither (a) nor (b) are possible, Enegex could avoid its presumptive liability to fund that well by taking advantage of the provisions of the WA-342-P Agreement.

## 29. GIPPSLAND BASIN INTEREST

Enegex holds interests in petroleum exploration permit Vic/P47 in the offshore Gippsland Basin. See the Vic P/47 Leads Map below.

### Vic/P47 – Gippsland Basin

The Vic/P47 Joint Venture consists of the following parties:

Bass Strait Oil Company Limited (“ <b>BAS</b> ”)	40.00% and Operator
Moby Oil & Gas Limited	15.75%
Enegex N L*	19.25%
Strategic Energy Resources Limited (“ <b>SER</b> ”)	25.00%

\* subject to approval and registration by NOPTA

Moby originally held a 35% undivided Participating Interest in Vic/P47 from which Enegex’s 19.25% participating Interest is derived.

Moby acquired its 35% Participating interest in the Permit under a farmin agreement made 31 October 2003 under which Moby agreed to fund 100% of the costs of drilling the original Permit Year 2 well commitment well up to an amount of \$3,750,000 on the basis that BAS would meet 100% of the costs of drilling the well in excess of that amount up to a total of \$5,750,000 and on the basis that the costs of the well in excess of \$5,750,000 were payable according to the respective Participating Interests of the then Permit holders being Moby 35%, BAS 40% and SER 25%.

Total expenditure to date by Moby in relation to Vic/P47 in exploring the Permit is in excess of \$6,497,327 to date.

The Vic/P47 permit is located in the offshore Gippsland Basin, 14 km from the coast and south of the Victorian town of Orbost; with water depths ranging up to 80 metres

Vic/P47 contains the Judith and Moby gas discoveries – see the *Vic/P47 Prospects and Leads Map* below. Both the Judith and Moby gas resources are in close proximity to existing and planned infrastructure in adjacent licences.

The Moby gas field contains a Contingent Resource of less than 60 BCF gas (P50 basis, Bass Strait Oil Company Ltd Release February, 2005).

The Judith gas field is located 22 km east of the Longtom Gas Field where Nexus Energy holds a 100% interest and which commenced production late in 2009. Longtom is the first commercial production from the Emperor Subgroup, a geological unit which also forms the potential reservoir at Judith and the Longtom Field has been developed on the basis of a contract to sell 350 PJ (approximate conversion = 325 Bscf) of sales gas.

In June 2008, the Judith gas resource was initially certified by international consultants Gaffney Cline & Associates (“GCA”) to provide an independent resource certification of the Judith gas discovery and associated prospects in Vic/P47. That certification was based on information available at that time.

Subsequent to that reserve certification being completed, BAS, as Operator, has carried out detailed seismic inversion studies over the Judith gas field.

Gas marketing studies and conceptual appraisal planning carried out in Permit Year 3 demonstrated that there is interest to potentially secure natural gas from the Judith gas discovery.

This outcome and the perception of a need to ensure a greater level of certainty in relation to the gas resource certified by GCA for the Judith Field resulted in the Joint venture:

- (a) applying to NOPTA for a variation of the Permit Year 4 work program to cover reappraisal of the gas resource for the Judith gas field, conceptual field development and well design.
- (b) commissioning GCA to carry out an update of their 2008 resource certification.

GCA's update of their previous resource certification was completed in May 2013 and the results released to the market by BAS in an ASX release dated 7 May 2013.

In that release BAS reported that the seismic inversion processing had enabled CGA to decrease the uncertainty in Contingent Resource estimates by utilizing Pre-Stack AVO inversion attributes to define possible connected resource volumes for the Judith reservoirs listed below. As advised by BAS, the seismic inversion data highlights that structural and stratigraphic complexities may limit reservoir connectivity and that, in light of this, the previous GCA High Case may no longer be valid.

No economic limit test has been undertaken to assess the commercial viability of the estimated Contingent resources referred to in the table below.

**SUMMARY OF GIIP AND GROSS CONTINGENT RESOURCES  
FOR JUDITH GAS DISCOVERY AS AT 13 MARCH 2013**

RESERVOIR	GIIP (Bscf)			Gross Contingent Resources (Bscf)		
	Low	Best	High	1C	2C	3C
<b>Sand - 1A</b>	3.0	6.6	14.0	1.7	4.3	10.5
<b>Sand - 1B</b>	10.6	22.7	48.2	5.8	14.8	36.1
<b>Sand - 2</b>	21.6	43.7	88.0	11.9	28.4	66.0
<b>Sand - 3A</b>	20.9	48.8	113.5	11.5	31.7	85.1
<b>Sand - 3B</b>	2.6	7.7	22.8	1.4	5.0	17.1
<b>Sand - 4A</b>	6.1	19.2	59.9	3.4	12.5	44.9
<b>Sand -4B</b>	2.0	6.6	21.6	1.1	4.3	16.2
<b>Total 2013</b>	<b>66.7</b>	<b>155.4</b>	<b>368.0</b>	<b>36.7</b>	<b>101.0</b>	<b>276.0</b>
<b>Total 2008</b>	87.8	298.1	1245.6	48.3	193.7	934.2
<b>Prospective Enegex Economic Interest*</b>	<b>12.84</b>	<b>29.91</b>	<b>70.84</b>	<b>7.06</b>	<b>19.44</b>	<b>53.13</b>

\* Based on **Total 2013** above and on Enegex acquiring a 19.25% Participating Interest in Vic/P47.

**Table 7: Summary GIIP and gross Contingent Resources for Judith gas discovery**

*Notes:*

1. *Gross Contingent Resources reported in the table are 100% of the volumes estimated to be recoverable from the field without any economic cut-off being applied. Contingent Resources are those quantities of petroleum or hydrocarbons estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.*
2. *the volumes of Contingent Resources reported here are as reported by BAS in its release of 7 May 2013 and are reported as "Unrisked" in the sense that a Chance of development factor has not been applied to the designated volumes within the assessment. Chance of development represents an indicative estimate of the probability that the Contingent Resource will be developed, which would warrant the re-classification of that volume as a Reserve.*
3. *Natural gas volumes represent expected gas sales, and are reported in billions (10<sup>9</sup>) of cubic feet (Bscf) at standard conditions of 14.7 psia and 60° F.*
4. *The volumes in the table have not been reduced for non-hydrocarbon gas (CO<sub>2</sub>, N<sub>2</sub>) content.*

Generally, Section 18 below, headed *PETROLEUM RESOURCE CLASSIFICATIONS* provides more complete information on reserve and resource classifications and should be referred to.

The *Vic/P47 Prospects and Leads Map* set out below shows the location of the Moby and Judith gas fields and the proximity of the Judith discovery to the Longtom and Patricia Baleen fields.

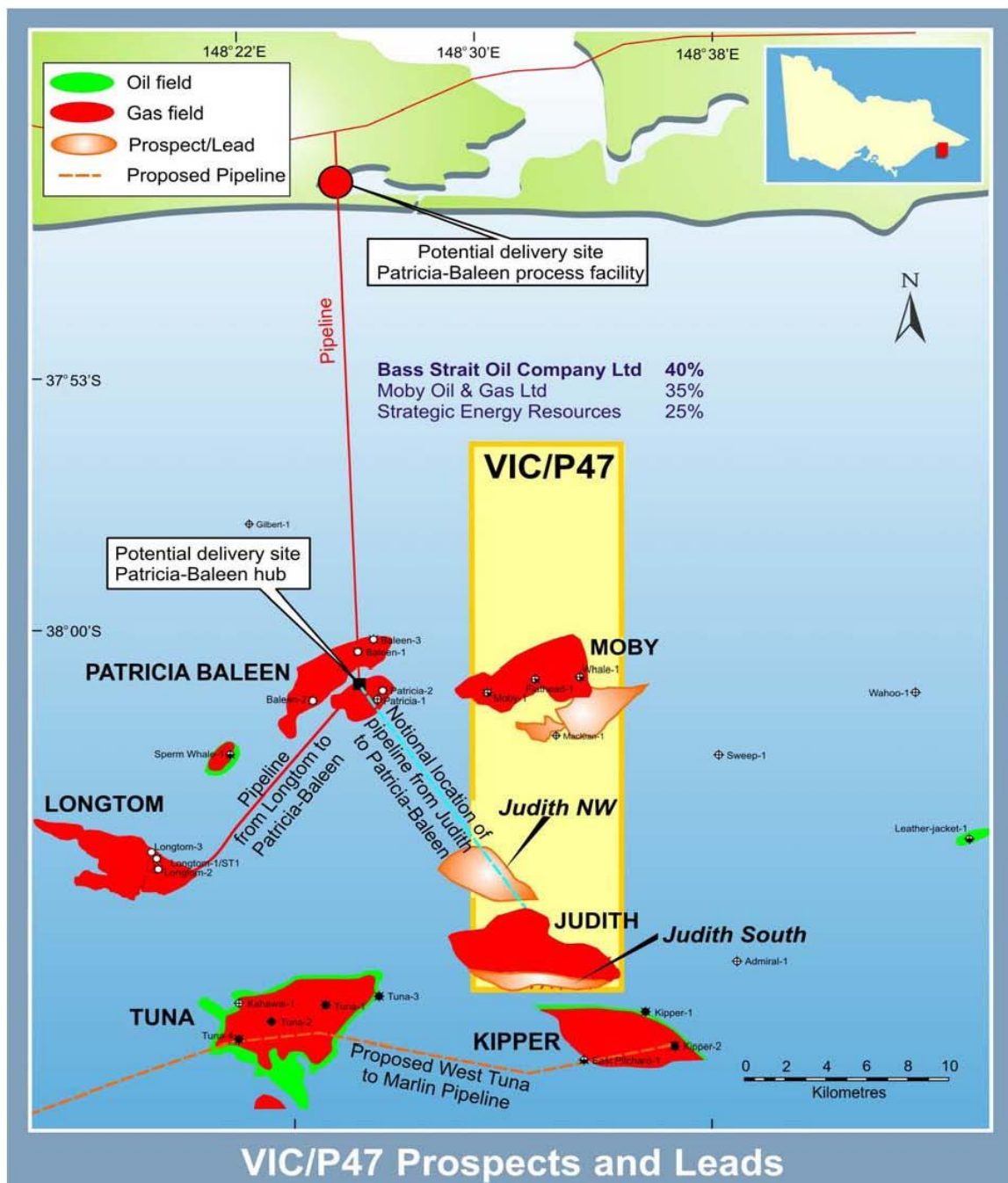


Figure 4: Vic/P47 Prospects and Leads Map

The work program for the current term of the Vic/P47 permit, as varied, and the timetable for its implementation is as set out in the table below.

<b>Year of Term of Permit</b>	<b>Permit Year Starts</b>	<b>Permit Year Ends</b>	<b>Minimum Work Requirements</b>	<b>Estimated Expenditure Constant dollars (indicative only) A\$</b>
1	16 Nov 2009	15 Nov 2010	Finalise 3D structural interpretation in greater Judith area	250,000
2	16 Nov 2010	15 Nov 2011	Reprocessing 159 sq. km of 3D data from field tapes and quantitative geophysics	250,000
3	16 Nov 2011	15 Nov 2012	Gas market studies and conceptual appraisal planning	1,000,000
4	16 Nov 2012	15 Nov 2013	Reappraisal of the gas resource for the Judith Field. Conceptual field development and well design.	200,000
5	16 Nov 2013	15 Nov 2014	Drill one well and assessment of results	20,000,000

**Table 8: – Vic/P47 Work Commitments**

BAS, as Operator, has previously lodged an application for a declaration of discovery location over each of the Judith gas field and the Moby gas field. The application for a discovery location over the Judith gas field has been rejected by NOPTA but the application for a declaration of discovery location over the Moby gas field was successful with the joint authority declaring a Location over block 1783 on 26 august 2013.

As stated elsewhere herein, a declaration of a location is a precondition to an entitlement to apply for a Retention Lease over the discovery in question. At this stage it is not possible to advise whether the Vic/P47 Joint Venture will lodge any application for a Retention Lease over the Moby gas field.

The estimated expenditure for the current Permit Year 4 is \$200,000, covering reappraisal of the gas resource for the Judith Field, conceptual field development and well design. An Authority for Expenditure in an amount of \$135,450 has been approved and, taking into account payments to the date of this Information Memorandum Eneget's presumptive share of 19.25% represents approximately \$26,075. Unless the current Permit Year 4 is extended, the work program for the present Permit Year 4 must be completed by 15 November 2013.

Various possibilities exist in relation to the current Permit Year Five, which include that, having regard to the outcome of Permit Year 4 studies; an application might be made for a variation to the current work program to move the well commitment in the Permit Year Five work program to the primary term of any renewed Permit. In this case Eneget would likely enter into Permit Year Five of the current term and would make a decision about participation in any renewal of the Permit depending on the results of any varied work program.

At present, BAS has advised that a third party has executed a confidentiality agreement with BAS to enable it to access all data in relation to Vic/P47 to determine if it is interested in entering into a farmin agreement to earn an interest in the permit. Any developments relating thereto will be announced to ASX in the normal manner by BAS as Operator.

Further, any decision as to whether or not the Joint Venture applies for a Retention Lease in relation to the Moby gas field will also impact on the future of the Permit.

Eneget will not enter into Permit Year Five with the current work program which requires the drilling of an exploration well, unless the obligation to drill the well is farmed out prior to Permit Year 5 being entered into.

## SECTION 7

### SCHEDULE OF PERMIT INTERESTS

#### 30. SCHEDULE OF PERMIT INTERESTS

Set out below is schedule of the Permits in which Enege is acquiring Participating Interests as set out herein. At this stage the relevant transfers of interests in the titles to the Permits have not yet been lodged.

WA-342-P							
Registered Titleholders	Area	Term	Minimum work obligations *				Encumbrances; third party interests; Comments.
			Year	Permit Year Dates	Description and quantity	Estimated Expenditure	
Octanex NL Coldron Pty Ltd Cornea Petroleum Pty Ltd Cornea Resources Pty Ltd Cornea Oil & Gas Pty Ltd Cornea Energy Pty Ltd <sup>1</sup> Moby Oil & Gas Limited Auralandia N L	<b>Basin</b>  Caswell Sub-basin of the Browse Basin <b>Mapsheet:</b> Brunswick Bay [SD51]  <b>No of Blocks:</b> 21 blocks  <b>Area:</b> 1,741 km2	<b>Initial Grant Date:</b>  29/05/2003  <b>Renewal Date:</b>  04/01/2011  <b>Expires:</b>  03/01/2016	1	04.01.2011 - 03.01.2012	Geotechnical Studies	\$250,000	Title formally granted.  Declaration of Discovery Location over 7 Blocks made by NOPTA on 6 June 2013. See clause 26.  Application for Retention Lease proposed. See clause 27. JVOA modified by the terms of the WA-342-P Agreement. See clause 35.
			2	04.01.2012 - 03.01.2013	Geotechnical Studies	\$250,000	
			3	04.01.2013 - 03.01.2014	One Exploration Well	\$20,000,000	
			4	04.01.2014 - 03.01.2015	1000km2 3D Seismic Reprocessing (from field tapes)	\$1,500,000	
			5	04.01.2015 - 03.01.2016	Geotechnical Studies	\$250,000	
VIC/P47							
Bass Strait Oil Company Limited (Operator)  Moby Oil & Gas Limited  Strategic Energy Resources Limited	<b>Basin</b>  Gippsland Basin  <b>Mapsheet:</b> SJ 55 Melbourne 1M  <b>No of Blocks:</b> 3 blocks  <b>Area:</b> 202km <sup>2</sup>	<b>Initial Grant Date</b>  28.05.2001  <b>Renewal Date:</b> 16.11.2009  <b>Expires:</b> 15.11.2014	1	16.11.2009 - 15.11.2010	Finalise 3D structural interpretation in greater Judith area	\$250,000	Title formally granted
			2	16.11.2010 - 15.11.2011	Reprocessing 159 sq. km of 3D data from field tapes and quantative geophysics	\$250,000	
			3	16.11.2011 - 15.11.2012	Gas market studies and conceptual appraisal planning	\$1,000,000	
			4	16.11.2012 - 15.11.2013	Reappraisal of the gas resource for the Judith Field. Conceptual field development and well design.	\$200,000	
			5	16.11.2013 - 15.11.2014	Drill one well and assessment of results	\$20,000,000	

<sup>1</sup> Cornea Energy is a sub-subsidiary of Octanex NL increasing Octanex Group interest to 18.75% as publicly disclosed.

WA-409-P							
Registered Titleholders	Area	Term	Minimum work obligations				Encumbrances; third party interests; Comments
			Year	Permit Year Dates	Description and quantity	Estimated Expenditure	
Apache Northwest Pty Ltd (Operator)  Rankin Trend Pty Ltd  Cue Exploration Pty Ltd	<b>Basin</b>  Carnarvon Basin  <b>Mapsheet:</b> SE50 Rowley Shoals  <b>7 blocks</b> 2547, 2549, 2618, 2619, 2620, 2621 and 2692  <b>Area:</b> 565km <sup>2</sup>	<b>Issued:</b> 30.08.2008  <b>Expires:</b> 29.04.2014	1	30.04.2008 - 29.04.2009	Geotechnical Studies	250,000	Title formally granted  Farmin by Apache North-West Pty Ltd (" <b>Apache</b> ")  The Farmin by Apache is described in Clause 34 below.  NOPTA has indicated, by letter dated 24 April 2013 approving a variation to the Permit Year 6 work program, that because there is no commitment to drill in the present term of the Permit, it is reasonable to expect that an exploration well will be included in the first year of the primary work program should the permittees elect to renew the permit.
			2	30.04.2009 - 29.04.2010	Geotechnical Studies	250,000	
			3	30.04.2010 - 29.04.2011	1400 km New 2D Seismic Survey	2,500,000	
			4	30.04.2011 - 29.04.2012	Geotechnical Studies	250,000	
			5	30.04.2012 - 29.04.2013	Geotechnical Studies	250,000	
			6	30.04.2013 - 29.04.2014	PSDM Reprocessing of 565 km <sup>3</sup> 3D seismic data. QI Study (rock physics modelling simultaneous inversion/fluid & lithology prediction). Geotechnical Studies	500,000 250,000 150,000	

**TABLE 9: – TENEMENT SCHEDULE**

## **SECTION 8**

### **MATERIAL AGREEMENTS AND ADDITIONAL INFORMATION**

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Set out in this section are details of material agreements and additional information relating to EnegeX.

EnegeX has not entered into any material agreements other than in the ordinary course of its business and the material agreements that remain uncompleted or relevant to investment in EnegeX are summarised below.

#### **31. FARMIN AGREEMENTS BETWEEN ENEGEX AND MOBY**

The Farmin Agreements have been entered into by EnegeX pursuant to which EnegeX has the right to earn a Participating Interest in each of WA-342-P, WA-409-P and Vic/P47 on the terms and conditions set out below. The terms and conditions of each of the Farmin Agreements are the same save for Permit details and the percentage Participating Interests being earned in each Permit and pursuant to each relevant JVOA.

The primary right is that EnegeX will earn its Participating Interest in each Permit by meeting all future work commitments and obligations under the relevant JVOA.

Each Farmin Agreement contains standard covenants and warranties.

#### **32. PERMITS - GENERAL TERMS**

Permit terms and work commitments in relation to each Permit are set out in clauses 24 to 28 in the discussion of each of the Permit interests in which EnegeX is acquiring an interest and in the Tenement Schedule in clause 29.

#### **33. OPERATING AGREEMENTS: GENERAL TERMS**

By execution of Deeds of Assumption and Assignment which specify the Participating Interest in each JVOA which EnegeX is assuming and by the Permit holders in each Permit executing transfers so that EnegeX becomes registered with each of the existing Permit holders as a Permit holder as a Title holder of each Permit, EnegeX becomes bound by the permits and the terms of issue thereof and becomes bound by each of the JVOAs entered into by each of the Permit holders in relation to the relevant Permit with the effect that EnegeX enters into, and becomes bound by, the Joint Venture Operating Agreements ("JVOA") in relation to each of the Permits in which it has acquired an interest. .

The JVOA's for each of WA-342-P, WA-409-P and Vic/P47 follow a comparatively uniform format and exceptions are minor and normally project specific. Where material differences occur they are referred to below in context.

The General Terms of the JVOA's are as follows:

##### **Conduct of Joint Operations**

Under each JVOA, the Operator is responsible for the conduct of joint operations. The Operator may resign as operator on giving appropriate notice but is entitled to continue as operator in normal business circumstances.

##### **Insurance**

The Operator will, to the best of its ability, procure and maintain for the joint venture statutory insurances and other insurances required by the operating committee, with any other joint venturer having the right not to participate in non-statutory insurances.



## **Operating Committee**

A joint venturer has the right to appoint one representative to serve on the operating committee which has the power and duty to authorise and supervise joint operations. Each representative has a vote equal to its participating interest. Generally a 65% or 66% affirmative vote by at least two joint venture participants (not being affiliates of one another) is required to pass a resolution. If there are four or more joint venturers, a 70% affirmation vote is required from at least two non-affiliated participants. Some of the more important decisions require unanimity.

The operating committee considers exploration work programs and budgets that are to be presented by the Operator up to nine months (in a preliminary way) and up to three months (in final form) before the commencement of each Permit year. The operating committee meets following delivery of the final proposed work program and budget to agree a work program and budget for the ensuing year.

Once a development plan for a commercial discovery is approved, the Operator then submits development and production plans and budgets to the operating committee in advance of the commencement of the next calendar year.

## **Authorisation for Expenditure**

Before incurring any expenditure, whether for exploration, appraisal, development or production, the Operator submits an authorisation for expenditure to each joint venturer. Each authorisation must be approved by the operating committee prior to expenditure being committed to or undertaken.

## **Sole Risk and Exclusive Operations**

Where the operating committee does not approve a proposed exploration or appraisal well, a party may undertake the project as a sole risk project or Exclusive Operation with the right of the non-participants to buy back in at various premiums which differ between the cases of a development well, an appraisal well and an exploration well. The premium to buyback can normally be paid in kind (out of petroleum produced) or in cash. The WA-342-P Agreement modifies the sole risk and Exclusive Operations provisions in relation to the WA-342-P JVOA. See summary of WA-342-P Agreement set out in clause 35 below.

## **Default**

A joint venturer that fails to pay when due its share of joint venture expenditure is a defaulting party. A defaulting party is not entitled to attend operating committee meetings or to vote. The sum of money in default is allocated to and paid by the non-defaulting parties pro rata to their participating interests. Reasonable opportunity to cure a default is given to a defaulting party.

For a specified period following a notice of default which has not been cured, the JVOA states that each non-defaulting party shall have the option to give notice to the defaulting party to transfer its entire interest to the non-defaulting parties.

More specifically, clause 8.4.4 of each JVOA provides:

*"If a Defaulting Party fails to remedy its default by the 30th Day following the date of the Default Notice, then, without prejudice to any other rights available to the non-defaulting Parties to recover amounts owing to them under this Agreement, each non-defaulting Party shall have the option, exercisable at anytime thereafter until the Defaulting Party has completely cured its defaults, to require that the Defaulting Party completely withdraw from this Agreement and the Title. Such option shall be exercised by notice to the Defaulting Party and each non-defaulting Party. If such option is exercised, the Defaulting Party shall be deemed to have transferred, pursuant to Article 13.6, effective on the date of the non-defaulting Party's notice, all of its right, title and beneficial interest in and under this Agreement and the Title free and clear of any liens, charges and encumbrances to the non-defaulting Parties. . . ."*

and continues:

*"The acceptance by a non-defaulting Party of any portion of a Defaulting Party's Participating Interest shall not limit any rights or remedies that the non-defaulting Party has to recover all amounts (including interest) owing under this Agreement by the Defaulting Party."*

The effect of this clause is that a defaulting party which does not remedy its default can be disposed of any permit interest in respect of which it is in default and the defaulting party remains liable to pay the debt in respect of which the default arose.

The WA-342-P Agreement modifies the effect and scope of the default provisions in relation to the WA-342-P JVOA. See summary of WA-342-P Agreement set out in clause 35 below.

## **Assignments**

The provisions of each JVOA relating to assignments vary between each of the JVOA's.

While there are restrictions on transfer in each JVOA, there are exclusions to those rights.

In the JVOAs relating to each of WA-342-P and Vic/P47, a Participant is entitled to transfer an interest to a company incorporated for the purpose of listing on a stock exchange and provide:

*"Article 12 does not in any way restrict and, without limitation to the foregoing, Article 12.1 does not apply to the assignment by a Party of the whole or part of its Participating Interest to a company or to the acquisition in whole or in part of the share capital of such a Participant by a company (whether or not, in each such case, that company is an Affiliate of that Participants):*

- (a) which is promoted and incorporated by that Participant for the purpose of acquiring the whole or part of such a Participant's Participating Interest or share capital; and*
- (b) which proposes in good faith to offer its ordinary shares for subscription either in Australia or in other countries and to list its securities on a stock exchange; and*
- (c) which the Participants are satisfied will be able to fund its Participating Interest share of the costs of or related to the Joint Venture and will in all other respects be able to perform its obligations pursuant to this Agreement, which acknowledgement shall not be unreasonably withheld."*

Each of the Participants in each of the WA-342-P Joint Venture and the Vic/P47 Joint Ventures have consented to EnegeX acquiring its interests under Article 12 of the relevant JVOA and have executed transfers of such interests and entered into Deeds of Assumption and Assignment under which EnegeX has assumed the obligations relevant thereto.

The JVOA relating to WA-409-P also provides for the right to transfer Participating Interests to listed public companies by Article 12.1.5 which provides:

*"A transferee other than an Affiliate shall have no rights in and under the Title, the Permit Area or this Agreement unless each Participant has consented in writing to such transfer, which consent shall only be denied if such transferee fails to establish to the reasonable satisfaction of each Participant its capability to perform its obligations under the Title and this Agreement. Without limiting the generality thereof, an intended transferee shall be deemed to be able to perform its obligations pursuant to this Agreement if its financial position will be equal to or superior to that of the Party or Named Affiliate making the assignment. Clause 12.1.5 does not in any way restrict and, without any limitation to the foregoing, clause 12.1.5 does not apply to the assignment by a Participant of the whole or part of its Participating Interest to a publically listed company (whether or not that company is an affiliate of the Assignor Participant)."*

Each of the Participants in the WA-409-P Joint Venture have consented to EnegeX acquiring its interests under Article 12 of the WA-409-P JVOA and have executed transfers of such interests and entered into a Deed of Assumption and Assignment under which EnegeX has assumed the obligations relevant thereto

## **Cross Charge**

If the operating committee decides to develop a discovery then the parties are required to charge their Participating Interests and shares of petroleum produced in favour of one another in order to secure the performance of their respective obligations under the relevant JOA. In the same way, where any joint venturer seeks to encumber its Participating Interest, the party proposing to encumber its Participating Interest in favour of a third party must grant such prior ranking cross charges to which the charge in favour of the third party will be subject.

## Withdrawal

Subject to certain conditions for the protection of the other party or parties to the relevant joint venture, a party which is unwilling to commit further to expenditure on a Permit may withdraw from the relevant joint venture. Once development of a discovery has commenced, those conditions include a condition that other parties be willing to accept the withdrawing party's Participating Interest.

Under, but subject to the provisions of Article 13 of the JVOA, any Party may withdraw from the JVOA and the title to the Permit by giving notice to all other Parties stating its decision to withdraw and such notice shall be given no less than ninety (90) Days prior to the effective date of the withdrawal.

The effective date of withdrawal for a withdrawing Party shall be last day of the Title Year (Permit Year) in which the notice of withdrawal is given.

A withdrawing Party may not withdraw if its Participating Interest is subject to any charge, lien, mortgage, pledge, or other encumbrance (except a charge given under the JVOA to other Parties) unless the other Parties are willing to accept the assignment upon withdrawal subject to the same (and then only upon such terms and conditions as each other Party required) and (if necessary) if all and any consents thereto are obtained. In the present case there are no such charges.

A Party may not withdraw until the Minimum Work Obligations in respect of the current Title Year have been completed or discharged.

In the case of Vic/P47, any withdrawal would be at the end of the current Title Year (Permit Year) by which time then minimum work conditions would have been satisfied.

In the case of WA-409-P this would be at the end of Permit year 6 which is the end of April 2014 unless Apache elected to renew the Permit and drill a commitment well in the first year of the renewed permit, which would be at its sole cost.

In the case of WA-342-P, the provisions of the WA-342-P Agreement modify this provision under that JVOA. For a full description of the WA-342-P Agreement, see clause 35 below.

Notwithstanding the above, a withdrawing Party shall, following its notification of withdrawal, remain liable only for its share of the following:

- (a) Costs of Joint Operations, and Exclusive Operations in which it has agreed to participate, that were approved by the Operating Committee or Consenting Parties as part of a Work Program and Budget or AFE prior to such Party's notification of withdrawal, regardless of when they are actually incurred.

In this context the only work programs that are approved are those in WA-409-P which Apache is responsible for and the work program and AFE for Vic/P47 where Moby and Enege's liability is minimal.

- (b) Any Minimum Work Obligations for the current period or phase of the Title and for any subsequent period or phase which have been approved by Enege by Enege voting in favour thereof at an Operating Committee Meeting and with respect to which such Party has failed to timely withdraw from under the JVOA.

This is partially duplicative of (a). No work programs have been approved in WA-342-P. Again, the only work programs that are approved are those in WA-409-P which Apache is responsible for and the work program and AFE for Vic/P47 where Moby and Enege's liability is minimal.

- (c) Emergency expenditures.

These relate to emergency expenditures if a well goes out of control or a fire, blow out, sabotage or other emergency occurs prior to the effective date of a Party's withdrawal. The only projected well in any of the Permits in which Moby or Enege will participate is a well in WA-409-P for which Apache is solely liable under the Apache Farmin Agreement.

- (d) All other obligations and liabilities of the Parties or Consenting Parties, as applicable, with respect to acts or omissions under this Agreement prior to the effective date of such Party's withdrawal for which such Party would have been liable, had it not withdrawn from this Agreement.

In the present context no such liabilities are contemplated to arise.

- (e) Liabilities and expenses that in any way relate to Abandonment of property acquired or operations conducted prior to the effective date of withdrawal for which such withdrawing Party would otherwise be liable, if such Abandonment occurs within five (5) years after the effective date of withdrawal.

All wells drilled by the Parties in any of the Permits have already been plugged and abandoned. The Article will not apply as no wells have been drilled, but not plugged and abandoned. If either Moby or EnegeX were involved in a production well, this Article would impose obligations if the production well was plugged and abandoned within five years from any withdrawal from the Permit in which the production well was situated.

#### **34. APACHE FARMIN AGREEMENT**

This Agreement is dated 20 October 2010 and was entered into between, among other parties, Moby, Cue Exploration Pty Ltd and Apache.

EnegeX will acquire its Participating Interest in WA-409-P subject to the operation of the Apache Farmin Agreement.

Under clause 4.1 (b) of the Apache Farmin, Apache's obligation is to fund *"one hundred per cent (100%) of the Farmers' Participating Interest shares of all costs properly chargeable to the Joint Account under the JOA between the Execution Date and the Reassignment Date or the spud date of the Well, whichever is the later"*.

Apache has the further right to elect to earn an additional 40% Participating Interest in WA-409-P by funding up to 100% of the costs of the first well to be drilled in the Permit. Apache has no obligation to drill any well.

If Apache elects to drill a well in WA-409-P, Moby and EnegeX would be free carried through the costs of the well and EnegeX's Participating Interest would dilute to an 8.25% carried interest in WA-409-P.

As part of the terms of the Apache Farmin as they apply to Moby, Moby has a right to elect to fund 5% of the costs of any well in their respective permits and, by so doing, to maintain its potential interest in WA-409-P at 20%.

Under the Apache Farmin the right to make any election to retain an additional 5% interest in WA-409-P remains with Moby but, under the farmin between Moby and EnegeX if Moby elects not to exercise that entitlement, it accrues to EnegeX.

The Joint Venture has successfully applied to vary the Minimum Work Requirements for Permit Year 6 to comprise 3D PSDM reprocessing of 566 km<sup>2</sup> of 3D seismic data and to carry out a Q study (rock physics modelling/ simultaneous inversion/fluid and lithology prediction) together with Geotechnical studies

NOPTA has made it clear to the Joint Venture that, if the permit is renewed, the work program for Permit Year One of the Renewed Term of Permit will include a well commitment.

Apache will carry out the varied work program at its cost. However, there is no certainty that the results of the proposed studies will be such as to merit application for renewal of the Permit.

#### **35. WA-342-P AGREEMENT**

Under the WA-342-P Agreement, the WA-342-P Permit holders agreed to modify the terms of the WA-342-P JVOA with effect from the date on which the Share Scheme is fully implemented by the issue of EnegeX Shares to Participating Shareholders under the Share Scheme. Consequently, the modifications to the WA-342-P JVOA have now come into effect.

It is proposed the WA-342-P Agreement will be lodged as a dealing under the Petroleum Act and, until it is approved and registered as a dealing, the Parties have agreed to waive their rights under the JVOA to the extent that they are inconsistent with the WA-342-P Agreement.

Under the WA-342-P Agreement, the JVOA is amended to provide that a decision of the Operating Committee on proposals to be adopted as Joint Programs and approval of Work Programs and associated budgets for those Work Programs and AFEs under which cash calls are made on Participants to fund those work programs are only binding on Participants who vote in favour of them.

If any proposal put to the Operating Committee as a Joint Operation is not have unanimously approved as a Joint Operation, then, any one or more of the Participants who voted in favour of the proposal have the right to propose an Exclusive Operation involving operations essentially the same as those proposed for such Joint Operation. To achieve this, a further category of Exclusive Operation is added to those categories set out in the JVOA.

If a Participant does not vote in favour of such a work program, budget or AFE, that Participant becomes a Non-Consenting Party whose Participating Interest under the JVOA is relinquished in favour of the Participants voting in favour of such work program, budgets and AFEs related thereto.

A Non-Consenting Party can re-instate his Participating Interest by acceding to the work program:

- (a) at any time, up to the commencement of the work program and become bound thereby in like manner as any Participant who voted voting in favour of the work program. The Non-Consenting Party does this by giving notice to that effect to the Operator and to each Participant who voted in favour thereof at the relevant Operating Committee meeting and paying its presumptive share of that AFE as if it had been a Consenting Party together with interest thereon at the Agreed Interest Rate;
- or;
- (b) by giving notice of accession to work program within 90 days of the date of the AFE in respect of which it failed to vote in favour and, at the same time, paying the Consenting Parties its presumptive share of that AFE as if it had been a Consenting Party together with interest thereon at the Agreed Interest Rate.

Exclusive Operations. Prior to the WA-342-P Agreement coming into effect, only the following could be proposed as Exclusive Operations,

- (a) Under Article 7.1.4.1, the Drilling and/or Testing of Exploration Wells and Appraisal Wells;
- (b) Under Article 7.1.4.2, Completion of Exploration Wells and Appraisal Wells not then Completed as productive of Hydrocarbons;
- (c) Under Article 7.1.4.3, Deepening, Sidetracking, Plugging Back and/or Recompletion of Exploration Wells and Appraisal Wells;

Under the JVOA at present:

- (a) The Cash premium for re-instatement relating to Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of an Exploration Well which makes a Discovery is Seven hundred (700%) percent of the Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in those Exclusive Operations.
- (b) The Cash premium for re-instatement relating to Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Appraisal Well(s) which delineated a Discovery a Discovery is Five hundred (500%) percent of the Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in those Exclusive Operations.

Each the Participants in WA-342-P have acknowledged that the terms on which any Non-Consenting Party may re-instate its Participating Interest under the new category of Exclusive Operation created

under the WA-342-P are fair and reasonable and that the commercial and legal interests of each of them are not prejudiced thereby.

The effect of the WA-342-P Agreement is to enable Participants to participate in an Operation provided that they are able to fund that operation and to raise funds to do so subsequent to the work program for the Operation being approved and its cost known.

The Period between the approval of an AFE and commencement of the Operation in respect of which the AFE is approved may be considerable, depending on the nature of the Operation involved, and a Non-Consenting Party who re-instates within either time frame permitted as referred to above does so at the minimal cost of bearing an interest charge.

Where a Non-Consenting Party is unwilling to participate or unable to fund itself to re-instate on the above bases, its right to re-instate lost and it relinquishes its interest in the Permit without liability for any costs or expenses which may be involved in the Operation or any future costs incurred under the JVOA.

For clarity, the Non-Consenting Party will remain liable for obligations incurred prior to relinquishment.

In WA-342-P there should be no other withdrawal costs etc as the Cornea 3 well was plugged and abandoned on completion of drilling and liability for costs of emergencies would only apply to emergencies which occurred before the relinquishment. Such emergencies are unlikely as no actual on site operations have taken place since the Cornea 3 well was plugged and abandoned and none are planned to occur in the foreseeable future.

The WA-342-P Agreement's primary benefit for EnegeX, with limited working capital, is that it removes a mandatory funding obligation and replaces it with a voluntary funding obligation which will only be assumed if EnegeX determines it should participate in the work program in question and can raise the necessary funds to do so. Essentially, the longer it takes to raise funds the greater the interest cost EnegeX will pay on re-instatement of its rights.

If EnegeX cannot initially raise the requisite funds (or alternatively if it has them but is not willing to commit to expend them) it relinquishes its interest on expiry of its right to re-instate.

The primary advantage of the WA-342-P Agreement is that a Non-Consenting Party avoids the imposition of liability for a work program it cannot fund or does not want to participate in, notwithstanding that its voting power at Operating Committee meetings is insufficient to block approval of the work program by the majority of the Participants voting in favour of the work program.

This is a major advantage for EnegeX's shareholders as it avoids the previous position where it could be forced to fund a pro rata share of the cost of a commitment well (or other onerous work program under a Retention Lease) by vote of the Operating Committee under the WA-342-P JVOA.

The WA-342-P Agreement will apply to any work programs under any Retention Lease which may be granted in like manner as it applies to WA-342-P at present.

Until such time as the WA-342-P Agreement is approved and registered as a dealing by NOPTA as the Title Administrator under Part 4.3 of the Petroleum Act each of the parties to the WA-342-P Agreement:

- (a) waives all rights that it may have under the JVOA which are inconsistent with the provisions of this Deed;
- (b) agrees, without charge, to do all acts matters and things requisite or, in the opinion of any of the directors of any party hereto, desirable to give effect to the provisions of this Deed;
- (c) acknowledges that the terms on which any Non-Consenting Party may re-instate its Participating Interest under the new Article 7.4A in the JVOA are fair and reasonable and that the commercial and legal interests of each of them are not prejudiced thereby.

Finally, each of the Parties to the WA-342-P Agreement consents to its approval and registration as a dealing and it is agreed in the agreement that the costs of approval and registration of the agreement, which are minimal, shall be borne by Moby and EnegeX in proportion to their proposed respective interests in WA-342-P as contemplated to exist after implementation of the Share Scheme.

## SECTION 9

### SECURITYHOLDERS

Details of the top 20 holders of EnegeX Shares are set out below.

The only substantial shareholder in EnegeX is Mr E G Albers and his Associates, who hold in aggregate 6,149,642 EnegeX Shares representing 11.46% of EnegeX's issued capital. For information none of Mr Albers or his Associates holds any Options. There are no controlling or dominant shareholders in EnegeX.

#### 36. SHAREHOLDERS

As at the date hereof, the top 20 shareholders in EnegeX are as follows

Name of Shareholder	Share Holding	% issued Capital
Mr Ross Di Bartolo	1,933,333	3.60
Mr Ernest Geoffrey Albers	1,583,333	2.95
Sacrosanct Pty Ltd <Sacrosanct Super fund A/C>	1,515,924	2.82
Small Business Finance Pty Limited	1,433,333	2.67
Mr Ianaki Semerdziev	1,407,000	2.62
Dolrack Pty Ltd <sup>1</sup>	1,333,333	2.48
ICM Investments Pty Ltd	1,311,233	2.44
Australis Finance Pty Ltd	1,247,385	2.32
Peppercorn Hill Pty Ltd	1,125,000	2.10
Mrs Marilyn Watt	1,000,000	1.86
EERC Australasia Pty Ltd Superfund <sup>2</sup>	982,083	1.83
Mr Harley Rexhep	966,667	1.80
Appledore Custodians Limited <sup>3</sup>	966,146	1.80
Miss Mei Ching Chan	666,667	1.24
Tre Pty Ltd <Time Road Superannuation A/C>	666,667	1.24
Albers Custodian Company Pty Ltd <Larsson Albers Pension A/C>	658,604	1.23
Relativity Pty Ltd<Superannuation Fund A/C>	603,333	1.12
Ganeshaya Pty Ltd	590,429	1.10
Faith Hope & Charity Pty Ltd <Faith Hope Charity A/C >	587,088	1.09
Trans Pacific Petroleum N L	450,000	0.84
<b>TOTAL</b>	<b>21,027,558</b>	<b>39.00%</b>

**Table 10: –Top 20 EnegeX Shareholders**

Notes:

1. Director related entity of Mr G A Menzies.
2. Aggregation of holdings.
3. Aggregation of holdings.

#### 37. SHAREHOLDER ANALYSIS

As at the date hereof, an analysis of shareholdings in EnegeX is as follows:

Range	Shares	No of Holders	% Issued Capital
<b>100,001 and Over</b>	34,083,203	85	63.51
<b>10,001 to 100,000</b>	15,962,905	518	29.75
<b>5,001 to 10,000</b>	2,321,399	295	4.33
<b>1,001 to 5,000</b>	1,234,507	397	2.30
<b>1 to 1,000</b>	64,477	203	.12
<b>Total</b>	<b>53,666,491</b>	<b>1,497</b>	<b>100.00</b>

**Table 11: –EnegeX Shareholder Analysis**

### 38. OPTIONHOLDERS

As at the date hereof, the top 20 Optionholders in EnegeX are as follows:

Rank	Name	Holding	% holding
1	Faith Hope & Charity Pty Ltd <The Faith Hope Charity Trust	1,980,000	30.51
2	Strat Trap Pty Ltd	675,000	10.40
3	John Cant	493,200	7.60
4	Graeme A Menzies <sup>1</sup>	268,333	3.65
5	Filippina M Perugini	268,000	3.65
6	Relativity Pty Ltd<Superannuation Fund A/C>	144,000	2.22
7	Karen Maltz	135,000	2.08
8	Norah E Wright	135,000	2.08
9	Robert J Wright	133,333	2.08
10	Estate Of L E Coburn	133,333	2.08
11	John G Tuohy	133,333	2.08
12	James M D Willis	133,333	2.08
13	Andrew P Armitage	112,500	1.73
14	Peter Kirk Geophysical Consultancy Pty Ltd	112,500	1.73
15	Walker Petrophysics Pty Ltd	112,500	1.73
16	David R Gregory	108,000	1.66
17	Brett Maltz <sup>1</sup>	100,000	1.36
18	Michael Todd Scott & Jodie S Scott	90,000	1.39
19	Cartron Pty Ltd	72,000	1.11
20	Lindsay Eric Mott	72,000	1.11
<b>TOTAL TOP 20</b>		<b>5,411,365</b>	<b>82.33%</b>
<b>BALANCE OF REGISTER</b>		<b>1,945,740</b>	<b>17.67%</b>
<b>GRAND TOTAL</b>		<b>7,357,105</b>	<b>100%</b>

**Table 12: Top 20 EnegeX Optionholders**

Notes:

1. Director.

### 39. OPTIONHOLDER ANALYSIS

As at the date hereof, an analysis of Optionholdings in EnegeX is as follows:

Range	Options	No of Holders	% Issued Options
<b>100,001 and Over</b>	5,283,532	15	71.81
<b>10,001 to 100,000</b>	1,746,333	51	23.74
<b>5,001 to 10,000</b>	321,480	44	4.37
<b>1,001 to 5,000</b>	5,760	2	.08
<b>1 to 1,000</b>	0	0	.0
<b>Total</b>	<b>7,357,105</b>	<b>112</b>	<b>100.00</b>

**Table 13: –EnegeX Optionholder Analysis**

### 40. RECENT DEALINGS IN SHARES

Within the knowledge of EnegeX there has been no trading in Shares up to the date of this Information Memorandum.

### 41. DEALINGS IN OPTIONS

Within the knowledge of EnegeX there has been no trading in Options up to the date of this Information Memorandum.



## SECTION 10

### RISK FACTORS

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#### 42. RISK FACTORS GENERALLY

The risks set out below are not necessarily exhaustive. You should realise that any company with resource-based operations and limited capital is subject to a wide range of risks, many of which may not be foreseeable.

The business operations of the EnegeX will be subject to risks which may impact adversely on its future performance. These risks may adversely affect the value of any shares in EnegeX.

Prospective investors should read this Information Memorandum carefully and in its entirety, with particular emphasis on the risk factors detailed herein, before deciding to invest in EnegeX.

Members and prospective investors should understand that the value of any investment in EnegeX will depend on factors beyond their control and beyond the immediate control of the Board. They face the risk that, while the Board will seek to achieve its stated aims and avoid the consequences which might attach to or flow from any of the risks set out below, the Board may not be able to do so.

Prospective investors should consider the contents of this Information Memorandum in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional advisers before deciding whether to invest.

#### 43. SUFFICIENCY OF FUNDING

While EnegeX has enough working capital to carry out its stated objectives of carrying out existing work programs on each of its Permits, save and except participating in the drilling of wells in WA-342-P and Vic/P47 which may or may not be drilled, perhaps the greatest risk which EnegeX faces and which, as a consequence, most greatly affects you and your investment in EnegeX is that of adequacy of funding.

The primary avenues open to EnegeX to meet future funding needs are to sell Permit interests (in whole or in part) which pre-supposes an available purchaser for those interests, or to raise additional capital.

##### (a) Consequences of Future Capital Raisings for Shareholders

Any requirement to raise additional capital has two consequences for EnegeX shareholders.

- First, the requirement to raise additional capital may result in their shareholding in EnegeX (possibly) being diluted.
- Secondly, if additional capital is not raised when it is actually required, EnegeX's operations will not then be able to be funded, with the result that their investment in EnegeX may significantly decrease in value.

The total amount of capital that may be required to be raised from time to time by EnegeX in the future is not presently ascertainable, as it will depend on the success or otherwise of EnegeX's proposed operations.

Expenditure will be dependent in part on the results of exploration activities from time to time, approval of work programs, budgets by joint venturers where applicable, and available working capital.

It should be noted that, when required, further funds will be obtained from a combination of sources which may include remaining working capital, farmouts, the partial sale of interests, the proceeds of further share issues by EnegeX or the exercise of Options. In the case of field development capital expenditure, funding may need to be obtained via project loan finance.

EnegeX's success will depend upon it being able to commercialise its interests in its various permits whether by farm out, sale or as a result of drilling success, as contemplated by the Apache Farmin, by having access to sufficient capital and funding to meet its exploration needs and any development costs

(in the event of a commercial discovery), being able to maintain title to its Permits and obtaining all required approvals for its activities.

Details of projected corporate costs and work commitment costs relating to its proposed interests in Permits are set out below.

**(b) Projected Corporate Overhead Costs**

The table set out below contains an estimate of Enege's annual corporate overhead expenditure requirements.

These estimated expenditures are based on actual audited expenditures for Moby for the year ended 30 June 2012 adjusted, in the case of audit, to reflect the Chief Financial Officers' estimate of likely audit fees.

The following table is provided for information purposes only. Actual expenditures by Enege will invariably differ from these estimates as they will relate to the level of corporate activity undertaken by Enege, the nature and effect of any future transactions, share market activity, including share trading volumes and other factors, none of which is presently known.

Subject to the above caveats such estimates are as follows.

<b>Corporate costs</b>	<b>Estimate 12 Month period</b>
Audit fees (estimate)	30,000
Directors Remuneration	115,000
Other Office Expenditure (including rent)	22,000
Printing & Stationary	25,000
Share Registry	20,000
ASX Listing fee –Annual	18,900
Other ASX - including Chess	4,800
Management Fees <sup>1</sup>	70,000
Other expenses	4,000
	<b>309,700</b>

**Table 14: Estimated Annual Corporate Costs for Enege**

- Actual quantum of management fees will depend in large part on the level of Enege's activities which, other than as set out herein, are unknown.*

**44. PROJECTED WORK COMMITMENT AND PERMIT EXPENDITURES**

**Permit Vic/P47**

The modified terms of the Permit show an estimated expenditure for the present Permit Year 4 ending in November 2013 of an amount of \$200,000, covering reappraisal of the gas resource for the Judith Field. Conceptual field development and well design.

Following decisions of the operating Committee, an Authority for Expenditure relating to that program for the Permit Year 4 to 15 November 2013 has been circulated to Permit holders for approval and execution and the amount of that Authority for Expenditure is \$135,450.

Enege's presumptive share of that amount, based on a 19.25% Participating Interest in the Permit, will represent approximately \$26,075.

The position in relation to Vic/P47 however, will continue to be that where a work program has been approved by the Participants under the JVOA, failure to meet cash calls under an approved Authority for Expenditure would result in default under the JVOA and the default provisions of the JVOA applying.

If Enege were to enter Permit Year 5 in Vic/P47 (with a well commitment) without being able to fund its share of well costs, it could have its interest in the relevant Permit forfeited against it and remain liable for the unpaid cash calls.

For this reason Enegeex will not enter into Permit Year 5 with a well obligation but will withdraw or transfer and assign its interest in Vic/P47 to continuing parties. For the consequences of default, see clause 33 above under the sub-heading “default”.

Insofar as Vic/P47 is concerned, none of the Participants in the Joint Venture presently has sufficient in situ funding to meet its pro rata share of the cost of drilling a well in Vic/P47 and it is unlikely that the Joint Operating Committee under the JVOA would elect to drill a well in Vic/P47 unless the Permit is farmed out with the farminee meeting any drilling obligation. See the table below in relation to Vic/P47.

<b>VIC/P47</b>	
<b>POSSIBLE EVENT AND ASSOCIATED PRESUMPTIVE COST</b>	<b>CONSEQUENCES OF EVENT AND COST EXPOSURE</b>
<b>Current Authority For Expenditure of \$135,450 approved by Operating Committee</b>	Enegeex's presumptive share of 19.25% represents approximately \$26,075 less Enegeex's presumptive share of all moneys paid on account of AFE prior to Implementation Date.
<b>If for any reason Enegeex enters into:</b> (c) a well commitment year in Vic/P47; <b>and</b> (d) the Operating Committee elects to drill that commitment well so as to contractually bind Moby to pay its pro rata share of well costs; <b>and</b> (e) the cost of the well is \$20,000,000 being equal to the indicative well costs set out in the terms of the Vic/P47 Permit.	<b>Prospect of Enegeex entering into a well commitment year.</b> Nil probability, unless the well commitment is first farmed out or unless Enegeex raised sufficient funds to contribute its pro rata share of drilling costs. <b>Consequence of entering into a well commitment year and being unable to fund any contractual obligation resulting from the Operating Committee under the JVOA resolving to drill such well:</b> Based on a well cost of \$20 million and a liability to pay \$3,850,000, Enegeex would default under the provisions of Article 8 of the JVOA (with loss of interest in the Permit but liability to pay the default amount of \$3,850,000)
<b>If JV farms out interest in Permit to third party farmin prior to commencement of Permit Year 5 with farminee drilling the obligation well to earn its interest.</b>	<b>Consequences of farmout</b> The farminee would meet the financial cost of the obligation well in Permit year 5. Reduction of interest in Permit based on farmout terms. No financial liabilities for well under JVOA No obligation to participate in Permit renewal application. If, on renewal, Enegeex participated in the renewal, it would be bound to meet its reduced pro rata share of any work program voted to be implemented under the JVOA.
<b>If Enegeex elects not to enter into Permit Year 5 of Vic/P47 with a well commitment or if Enegeex withdraws during the current Permit year 4</b>	<b>Consequences of Enegeex electing not to enter into Permit Year 5 or withdrawing during the current Permit year 4:</b> Loss of interest in the Permit while retaining liability for its present pro rata share of current Permit year 4 work program and budget of \$26,075.
<b>If JV does not enter into Permit Year 5 and Permit relinquished;</b>	<b>Consequences of JV not entering into Permit Year 5;</b> Loss of interest in Permit in common with all Permit holders. No residual financial liabilities. Permit relinquished in good standing
<b>If Permit Terms are varied with the Commitment well being rolled into Primary term of the renewed permit.</b>  <b>If the commitment well is moved out of Permit Year 6, NOPTA will require a commitment well to be included in the Primary term of the renewed Permit.</b>	<b>Consequences of variation:</b> Enegeex would be bound to meet its pro rata share of the cost of any varied work program voted to be implemented under the JVOA. Enegeex is not bound to enter Permit Year 5 with a varied work program and would not do so unless it could fund its pro rata share thereof. <b>Consequences of renewal:</b> Enegeex would not enter into a renewed Permit with a commitment well in the Primary Term of the renewal unless the Commitment well was farmed out prior to renewal of the Permit

**Table 15: Vic/P47:- Analysis of possible events and associated costs to Enegeex**

## PERMIT WA-409-P

WA-409-P is currently in Permit Year 6 which ends on 29 April 2014.

The work commitment for Permit Year 6 comprises PSDM Reprocessing of 566 km<sup>3</sup> 3D seismic data, QI Study (rock physics modelling/simultaneous inversion/fluid & lithology prediction) and Geotechnical Studies. That program will be carried out at Apache's sole cost.

However, EnegeX will not participate in a renewal of the Permit unless Apache participates in the renewal and commits to drill the commitment well, which will be required in the first year of any renewed Permit and which, under the Apache Farmin Agreement, will be drilled at Apache's sole cost.

Under the Apache Farmin Agreement, Apache must fund all expenditure up to and including completion of a well in the Permit or any renewal thereof.

Any liability on the part of EnegeX to contribute to the cost of a work program in WA-409-P would not arise until the Permit Year Two of any renewal of WA-409-P, assuming that permit is renewed.

Any liability at that stage would depend on the nature of the work program agreed when and if the Permit was renewed.

See the table below in relation to WA-409-P.

WA-409-P	
EVENT AND ASSOCIATED PRESUMPTIVE COST	CONSEQUENCES OF EVENT AND COST EXPOSURE
Liability for current work program under current WA-409-P Permit	No liability, as these costs are to be met by Apache under the Apache Farmin Agreement.
<b>If the results of the varied work program in Permit Year 6 are sufficiently attractive for Apache to agree to renewal of the Permit for a further term with a well in the Primary Term of the renewal</b>  The work programs for each year of the Primary Term of the renewed Permit are a guaranteed work program under the terms of renewal of a Permit.	<b>Consequences of renewal of Permit</b> If the Permit is renewed EnegeX will have no financial obligations to fund the well in the first year of the Primary Term of the renewed term as Apache will fund the well under the terms of the Apache Farmin Agreement. EnegeX would have pro rata contractual liability for the work programs for the second and third years of the Primary Term if they were voted to be implemented by the Operating Committee under the JVOA. The quantum of those work programs is unknown but they would most likely comprise well appraisal studies but would not a well. <u>EnegeX's interest would have been reduced to 8.25%, unless Moby did not elect to contribute 5% of the costs of the well (as permitted under the Apache Farmin Agreement) and EnegeX elected to so contribute, in which case EnegeX's interest would increase by 5% up to 13.75%. See clause 34 which describes the Apache Farmin Agreement.</u>

Table 16: WA-409-P:- Analysis of possible events and associated costs to EnegeX

## PERMIT WA-342-P

In conjunction with its joint venturers in WA-342-P, EnegeX will seek to farm out WA-342-P on the basis that a farminee will undertake a work program which is designed to bring the Cornea to production.

To that extent discussions are continuing with potential farminees..

However, the future of WA-342-P is unresolved and the Joint Venture has sought a declaration for a discovery location and proposes to apply for a Retention lease as referred to in clause 28 and generally throughout this Information Memorandum.

There is no Authority for Expenditure current for WA-342-P at present. However it is estimated that the cost of the application for declaration of a discovery location and the subsequent application for a Retention Lease will be up to \$200,000, of which, depending on how much of that amount is actually

spent prior to the Effective Date, EnegeX's presumptive share of 14.875% represents approximately \$29,750. Those funds will be spent over approximately the next 6 months in funding the Retention Lease application and all negotiations with NOPTA in relation thereto.

While the current work program for the Primary term of WA-342-P includes an exploration well, you should be aware that EnegeX does not have sufficient funds to participate in the drilling of a well in WA-342-P. To resolve the possible financial difficulties which may affect Permit holders in WA-342-P the WA-342-P Agreement has been executed. The effect of the WA-342-P Agreement summarised in clause 35 above and is that, if the Share Scheme comes into effect, EnegeX will not be compellable to pay any further amounts under AFEs relating to minimum or any work programs in WA-342-P or any Retention Lease which may derive from that Permit.

See also the table below in relation to WA-342-P.

<b>WA-342-P</b>	
<b>EVENT AND ASSOCIATED PRESUMPTIVE COST</b>	<b>CONSEQUENCES OF EVENT AND COST EXPOSURE IN ENEGEX</b>
<b>Liability for costs of Application for Retention Lease, not fixed, but estimated at between an aggregate of \$200,000 and \$250,000</b>	EnegeX's presumptive share of 14.875% interest represents approximately \$29,750 up to \$37,250.
<p><b>If the application for Retention Lease is refused by the Joint Authority and the Permit holders enters Permit Year 3</b></p> <p><b>or</b></p> <p>The Joint Permit holders accept the offer of a Retention Lease over the area of the Discovery Location WA-342-P with a well commitment obligation in the initial 5 year term of the Retention Lease (or other work program) and, under the JVOA, the Operating Committee elects to drill that commitment well or carry out that other work program</p>	<p><b>Consequence of Permit entering Permit Year 3 or of Operating Committee electing to drill a commitment well (or other significant workprogram) .</b></p> <p>Under the WA-342-P Agreement, which is conditional upon the Share Scheme being implemented, unless a Permit holder votes in favour of a work program, the Permit holder will have no financial liability under the JVOA to pay a pro rata share of the costs of that program and cannot become in default under Article 8 of the JVOA. The WA-342-P Agreement is summarised in clause 35.</p> <p>The consequence of EnegeX then not voting under the WA-342-P Agreement in favour of a work program is that EnegeX would be a "Non-Consenting Party" and EnegeX's Participating Interest would, as a "<i>Non-Consenting Party</i>" be relinquished in favour of the other parties who voted in favour of the Work Program. That interest can be reinstated by paying its pro rata share of costs plus interest at the Agreed Interest Rate before the work program commences or within 90 days of the date of the AFE it failed to vote in favour of and which resulted in the relinquishment.</p> <p>The Permit holders voting in favour of the proposed work program may carry out the program as an "<i>Exclusive Operation</i>" under the provisions of the JVOA as agreed to be amended by the WA-342-P Agreement.</p>

**Table 17: WA-342-P:- Analysis of possible events and associated costs to EnegeX**

#### **45. OTHER RISKS ASSOCIATED WITH OWNING SHARES OR OPTIONS**

While this commentary refers primarily to risks associated with holding Shares, Optionholders should regard the risks noted as being equally applicable to the risks of holding Options.

Significant risks faced by optionholders in any company, and to which shareholders are not subject, is that the options held will expire on the exercise date of the option and, if at that time, it is uneconomic or, in the opinion of the Optionholder, unwise, to exercise the option, then the Optionholder will lose the

entire value of such options on expiry and, accordingly the value of any investment made therein by that Optionholder.

Further, prior to exercise of an option, it may not be possible for an Optionholder to sell his or her options because of a combination of the exercise price, the market price of the underlying shares and the trading history of those shares which together indicate to prospective purchasers that the option is effectively valueless.

There are a number of risk factors which may affect the future operating and financial performance of EnegeX and the future investment performance of Shares or Options, many of which are outside the control of EnegeX and its directors.

Additional risks and uncertainties not currently known to EnegeX may also have a material adverse effect on the business of EnegeX and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting EnegeX.

**(a) Share investment**

Members should be aware that there are risks associated with any stock market investment. It is important to recognise that share prices and dividends might fall or rise. Factors affecting the operating and financial performance of EnegeX after its admission to the Official List of ASX and the market price of EnegeX securities include domestic and international economic conditions and outlook, changes in government fiscal, monetary and regulatory policies, changes in interest rates and inflation rates, the announcement of new technologies and variations in general market conditions and/or market conditions which are specific to a particular industry. In addition, share prices of many companies are affected by factors which might be unrelated to the operating performance of the relevant company. Such factors might adversely affect the market price of EnegeX securities. Additionally, success or failure in operations undertaken by EnegeX will also significantly affect share prices and increase share price volatility.

**(b) Investment risks generally**

Investment is subject to risks of a general nature relating to investment in shares and securities generally and especially where the company in which the investment is made has a comparatively small market capitalisation (such as EnegeX) and is involved in a speculative activity.

**(c) Risks related to investment in resources**

Exploration and/or development of resources, particularly oil and gas, the area of EnegeX's activities, are subject to high levels of risk.

**(d) Fiscal risks**

Fiscal risks involve the imposition of additional taxes, imposts and other charges by government from time to time relating to revenue or cash flow. Industry profitability can be affected by changes in tax policies and the interpretation and application thereof. .

**(e) Sovereign risk**

Historically, Australia has been perceived to have little sovereign risk. That perception may have changing because of the consequences for investment in mining projects associated, or perceived to be associated with Federal Governments mining tax on super profits from coal and iron ore production at the rate of 30% and the carbon tax. Concern has been expressed by many mining companies and investment analysts that these taxes have alarmed foreign investors in Australia and created a significant risk of Australia being perceived as a country with higher sovereign risk than previously. The effect of the mining tax and the carbon may have a material effect on both the availability and cost of capital to develop any resources actually discovered.

**(f) Macro economic and political factors**

Apart from exchange risks, fiscal risk and sovereign risk, there are a wide range of other macro-economic and political factors beyond the control of Enegex which may affect its operations. These include the consequences of terrorist and other activities, which themselves impact adversely on the global economy, demand for commodities, particularly oil and gas, and share market conditions and share prices generally.

**(g) Risks relating to commodity prices**

Commodities, particularly oil and to a lesser extent gas, are subject to high levels of volatility in price and demand. While oil prices may increase rapidly they can also decline with equal or even greater rapidity and have done so in the past. Members should understand that the viability of any discovery which might be made by Enegex or any of its joint venture partners will depend, in part, on oil and gas prices, being one of the factors which will determine whether any resource which may be discovered can be commercially and profitably recovered.

**(h) Effect of Global Financial Crisis**

Other risk factors include those such as changes in levels of consumer confidence which affect consumption patterns and consequently demand for a wide range of products including commodities such as oil and gas. The effect of the global financial crisis has had marked effects on stock markets world-wide and, although there has been a significant level of recovery on world stock markets, it is not possible to say whether that recovery will be long term or sustained or whether additional future crises will again adversely affect stock markets. Further, the recessions or economic downturn in many of the world's major economies has adversely impacted on demand for oil and gas. The continuing prospect of financial instability at a sovereign level may result in continuing financial instability in international financial markets.

The consequent effect on prices of further economic downturn could impact on the viability of Enegex's operations to some extent even though, apart from the well commitment in year three of the renewed term of WA-342-P, Enegex has sufficient cash reserves to meet all its other foreseeable operating cost and guaranteed permit obligations. The more probable effect of continued financial instability would be on the market value of Enegex Shares and the resultant impact on Enegex's ability to raise further equity. The effects of such downturns normally affects the ability of most resource companies to raise capital for continuing operations and, even if it does not result in companies being unable to raise equity capital, it may affect the price at which that capital can be raised.

**(i) Work Programs**

Clause 44 above provides further information about Enegex's anticipated expenses and outgoings for the foreseeable future and contain a discussion of work commitments in relation to the Permits in which Enegex is acquiring an interest.

Enegex has sufficient funds to meet its pro rata share of its obligations under the terms of the Permits in which it is acquiring an interest save that it does not have sufficient funds to participate in the drilling of a well in either Vic/P47 or in WA-342-P. Insofar as WA-342-P is concerned, if a Retention Lease is granted, with or without a well obligation, it is most likely that the Joint Venture would seek to relinquish the residual part of WA-342-P on grant of the Retention Lease under the Petroleum Act. This would be a matter for discussion with NOPTA as Title Administrator under the Petroleum Act.

Insofar as Vic/P47 is concerned, none of the Participants in the Joint Venture presently has sufficient in situ funding to meet its pro rata share of the cost of drilling a well in Vic/P47 and it is unlikely that the Joint Operating Committee under the JVOA would elect to drill a well in Vic/P47 unless the Permit is farmed out with the farminee meeting any drilling obligation.

Insofar as WA-342-P is concerned, as stated in clauses 13 and 28 above, the intended Retention Lease application will provide for a production test well to be included in the work program for Year 5 of the proposed term of the retention Lease. It is not possible to comment on what will, or will not, eventuate in that respect or whether Enegex will participate in the drilling of such a well, if it is included in the work program for the Retention Lease, assuming always that the Retention Lease is granted.

In circumstances where a work program has been approved by the Participants (including EnegeX) or where EnegeX is bound under the relevant JVOA to pay a pro rata share of costs, a failure to meet cash calls under an approved Authority for Expenditure would result in EnegeX becoming in default under the JVOA and the default provisions of the JVOA applying with the result that EnegeX could have its interest in the relevant Permit forfeited against it and remain liable for the unpaid cash calls. In this respect see clause 33 above under the sub-heading “default”.

**(j) Contract risks**

EnegeX operates through a series of contractual relationships with operators, technical experts, project managers and contractors generally, some of which are in writing and some of which have been verbally agreed. All contracts carry risks associated with the performance by the parties of their obligations as to time and quality of work performed.

**(k) Joint venture and farmin risks**

Given that EnegeX is in joint venture with various other parties and have, or will, enter into farm out agreements where their respective obligations are assumed by others, the incapacity of those joint venturers or farmines to meet contracted obligations would adversely affect EnegeX’s capacity to carry out its activities.

Even though the terms of any Joint Operating Agreement to which EnegeX is a party in relation to any Permit may impose obligations on the other joint venturers to meet cash calls and provide EnegeX with rights under against any such co-venturers, these rights may be effectively valueless if EnegeX does not have the funds to exercise the rights and permit it to fund and acquire any defaulting co-venturer’s interest.

**(l) Regulatory risks**

Operations require approvals from regulatory authorities which may not be forthcoming, either at all or in a timely manner, or which may not be able to be obtained on terms acceptable to EnegeX. While EnegeX can reasonably believe that all requisite approvals will be forthcoming, and whilst the EnegeX’s obligations for expenditure will be predicated on any requisite approvals being obtained, you should be aware that EnegeX cannot guarantee that any or all approvals required by it will be obtained. A failure to obtain any approvals would mean that EnegeX’s ability to participate in continued exploration or develop any project, or possibly to acquire any project, may be limited or restricted either in part or absolutely. Although Moby believe that relevant approvals will be forthcoming, no certainty exists that this will be so.

**(m) Claims, liability and litigation**

The risk of litigation is a general risk of EnegeX’s business. EnegeX is presently not involved in litigation and the Directors are not aware of any basis on which any litigation against EnegeX may arise. However, there is always the risk that litigation may occur as a result of differing interpretations of obligations or outcomes.

**(n) Exploration and drilling risks**

Petroleum exploration involves significant inherent risks in predicting the location and nature of potential petroleum accumulations in the sub-surface. EnegeX cannot give any assurance that EnegeX’s exploration programs will result in the discovery of any accumulation of oil or gas, or that any discovery will be commercially viable or recoverable. Risks in relation to drilling operations include break-downs, delays due to weather or sea conditions and shortages of critical equipment or materials. There are also financial and environmental risks of drilling incidents such as blow-outs, fires and oil spills. EnegeX will mitigate these risks via its safety and environmental policies, plans and procedures and will arrange appropriate insurances for particular risks. Moby cannot give any absolute assurance against the occurrence of any of these or other adverse events.

In the event that exploration programs prove to be unsuccessful, this will likely lead to a diminution in the value of the relevant Permit or Permits subject to the unsuccessful exploration activities, a reduction in EnegeX’s cash reserves by virtue of the costs of such activities, possible increased difficulty in raising additional funds following any unsuccessful activity (particularly drilling), and possible relinquishment of Permits.



(o) **Discovery risks**

Any discovery may not be commercially viable or recoverable. For a wide variety of reasons, not all discoveries are commercially producible.

(p) **Production risks**

Enegex does not currently have any petroleum production interests. No Reserves have been defined within any of the Permits in which Enegex is acquiring an interest. Therefore, there can be no assurance given that Enegex will achieve production from any of the Permits it has an interest in as referred to in this Information Memorandum. Even if a discovery well is drilled on any of the Permits, Enegex's capacity to achieve production will depend on a wide range of factors in addition to a successful exploration outcome. These factors include (but are not limited to) development decisions, capital costs and operating costs that may be applicable to the individual projects and Enegex's capacity to fund those costs.

If production is achieved then unanticipated problems may increase extraction costs and reduce anticipated recovery rates. In some cases, increases in costs, whether in conjunction with falling prices or otherwise, may result in the discovery of a hydrocarbon accumulation not being commercial or ceasing to be commercial.

(q) **Reserve calculation risks**

As stated above, Enegex has no Reserves at present. However, even if Enegex is successful at some time in the future in establishing Reserves from any future discovery, it should be recognised that there are numerous difficulties inherent in estimating Reserves. Any future statements as to Reserves which might follow a future discovery, when and if made, should at best be regarded as preliminary indications or possibilities and not relied upon. The variables on which estimates of Reserves are made include a number of factors and assumptions such as historical production, comparisons with production from other producing areas, assumed effects of regulation by government agencies, assumptions regarding future oil and gas prices and future operating costs, all of which may vary considerably from actual results. Assumptions that affect either the cost of recovery or the viability of recovery of any resource will affect any calculation of Reserves.

(r) **Environmental compliance**

In carrying out operations, Enegex (and any other operating joint venture Enegex may enter into or operate on its own) will be required to comply with the *Environment Protection and Biodiversity Conservation Act 1999 (Cwth)* ("**EPBC Act**") which specifies and regulates the environmental protections needed to be put in place by operators to avoid and minimise adverse environmental impact from these operations. The EPBC Act sets out stringent conditions which must be complied with by operators and imposes rigid conditions which must be met before operations can commence. In the event of a breach of any such conditions, Moby may be liable to prosecution and imposition of penalties.

Further, following cessation of any production from future operations, Enegex will be required to participate in clean-up programmes resulting from any contamination from operations in which it participates, removal of disused plant and equipment and where necessary, restoring the environment that has been disturbed in the course of operations. The cost of that participation may be considerable if operations result in significant environmental liabilities being incurred. In such a case, any allowance made for rehabilitation would possibly be inadequate.

(s) **Operational risks**

Operational risks include the possibility of environmental accidents, the risk of unexpected mechanical failure or equipment breakdown resulting in loss of production and additional expense, unexpected interruption to or imposition of onerous conditions on access, industrial disputes and resultant increases in costs of operation.

(t) **Climatic, maritime and geographic risks**

The Permits are situated in the offshore Basins in areas of Australia. Climatic conditions may preclude exploration work being carried out from time to time. Additionally, given that the Permits are offshore,

from time to time it is possible that sea conditions may adversely affect operations undertaken by EnegeX or its joint venturers.

(u) **Insurance**

EnegeX's operations expose it to risks and hazards typically associated with exploration for, and development and production of, hydrocarbons. In accordance with customary industry practices, EnegeX intends to maintain insurance against various of the risks associated with drilling. The availability of insurance and the rates at which insurance may be available will determine which losses are insured against and in what amount. The occurrence of any significant event which is not fully insured against could seriously harm EnegeX and its operations and adversely impact on its financial condition.

(v) **Title and tenement risks**

A risk must exist that some or all of the Permits that EnegeX holds or has interests in, when required to be renewed, may not be renewed by the relevant regulatory authorities. Each Permit is for a specific term and carries with it work obligations and reporting commitments, as well as environmental and other conditions requiring compliance. Consequently, EnegeX could lose title to, or its interests in, Permits if Permit conditions are not met or if sufficient funds are not available to fund obligations. Any failure to comply with the conditions on which a Permit is held exposes the Permit to forfeiture. In this context, EnegeX will not enter into contractual obligations in relation to work commitments that it cannot fund. Further, even if EnegeX is able to fund its proportionate share of any such work commitments but its co-joint venturers in any Permit are not able to do so, the EnegeX's interest in any such Permit will be at risk of forfeiture for non-performance if, as a result, any committed work program is not carried out. In certain circumstances the Designated Authority will permit extensions of Permit Years or vary out work commitments which are not in the Primary Term of a Permit work program.

In relation to WA-342-P the following matters are relevant. WA-342-P is in year two (2) of the Primary Term of its renewal. The terms of grant of the renewal (as in all renewals) states "*During the first three (3) year period of the permit, the permittee must complete each component of the work program specified in the minimum work requirements, in the designated year.*"

If the proposed application for a Retention Lease to be considered by the Joint authority is not approved by the Joint Authority and the Permit holders enter year 3 with a commitment well as the Permit year 3 work program and the Permit holders do not drill that well, the Joint Authority can forfeit the Permit against the Permit holders with the result that EnegeX as a Permit holder would cease to have any interest in the WA-342-P Permit or the Cornea oil and gas accumulation.

Following discussions with the Joint Authority, and the declaration of a Discovery Location, there would seem to be a willingness on the part of the Joint Authority to co-operate with the holders of WA-342-P in relation to the granting of a Retention Lease. However, the requirements for grant of a Retention Lease must still be satisfied and, unless this is achieved to the satisfaction of the Joint Authority, a Retention Lease will not be granted. If a Retention Lease is ultimately granted, which will not be known for some time, it will likely be granted with a work program related to resolution of the primary constraints to commercial viability are commodity prices and construction and production costs of any planned production facilities, together with technical challenges to production presented by reservoir characteristics that require the deployment of unconventional completions in order to unlock Cornea oil production. However this again is not certain.

If a Retention Lease is able to be obtained it is the intention of the Permit holders to surrender the residual area of the Permit so that the presently required exploration well is not required to be drilled. This would likely require the Minister under the Petroleum Act to exercise his ministerial discretion to enable this to be done so that the residual WA-342-P permit could be surrendered or relinquished in good standing.

These matters will become clearer in due course as the application for the Retention Lease is progressed. It is not possible to be more explicit at this stage and the above should not be treated as a representation of the manner in which these matters will progress. In particular, it may be that the Permit holders are unable to satisfy the requirements for the grant of a Retention Lease for reasons presently unknown.

If a Permit holder is in breach of the terms and conditions of the grant of a permit as would occur in the above circumstance, that breach or default will be taken into account by the Joint Authority as a factor in

the grant future permits unless the permit holder enters into an agreement to maintain “good standing” as described in the *Offshore Petroleum Guidelines in Permit Conditions and Administration* as published by the Joint Authority. Briefly, such an agreement requires the defaulting permit holder to undertake to spend an amount equal to the agreed monetary value of the outstanding work commitments on qualifying work in permits over re-released acreage. Full details as to the requirements of good standing agreements can be accessed on the Joint Authority’s website at [www.nopta.gov.au](http://www.nopta.gov.au).

Generally, and without specific regard to WA-342-P or Cornea, in the event that EnegeX is successful in making a commercial discovery, it, and its associated Permit holders in the Permit in which the discovery is made, will have the right to apply for a Retention Lease or a Production Licence over the discovery. The grant of such a lease or licence is also subject to the relevant petroleum legislation and will only be granted on the terms and conditions that the Designated Authority considers appropriate. Once granted, such a Retention Lease or Production Licence is liable to forfeiture on breach of any of its conditions.

**(w) Native title**

EnegeX’s permit interests, present and future, may become subject to Native Title claims. However, the grant of a mining or petroleum tenement in an offshore area does not require the consent or agreement of any native title claimants for the relevant area. The obligation to negotiate with registered native title claimants for the grant in respect of offshore areas does not apply. Further, notice of activities proposed to be undertaken on the tenements may have to be given to registered native title claimants but their prior consent or approval to the activities is not required. While compensation may be payable to native title rights holders under the Native Title Act 1993 (Cwth) for any effect on established native title rights by the grant of the tenements, the amount of the compensation will be dependent upon the nature of native title right claimed and the degree to which it has been affected. Any compensation would be payable by the party carrying out the act; which in this case would be the Commonwealth Government as grantor of the tenements.

**(x) Financial performance may be affected by regulatory and fiscal changes**

Changes in relevant taxation laws, interest rates, other legal, legislative and administrative regimes, and government policies in Australia may have an adverse effect on the assets, operations and ultimately EnegeX’s financial performance. These factors may ultimately affect EnegeX’s financial performance and the market price of EnegeX Shares.

**(y) Wars, terrorism, political and natural disasters**

Events may occur within or outside Australia that could impact upon the world economy, the market for oil and gas, the operations and exploration activities of EnegeX and the market price of EnegeX Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and poor weather.

**(z) Business risks to which EnegeX is subject**

In addition to the risks mentioned above, the following risks may affect the market price of EnegeX Shares:

**(aa) Impact of inflation on costs**

Higher than expected general inflation rates or inflation rates specific to the oil and gas industry, could increase operating and development costs and potentially reduce the value of future project developments. These cost increases may be offset however by increased selling prices.

**(bb) Foreign exchange fluctuations**

EnegeX’s operations could be adversely affected by the impairment of assets and exposure to fluctuations in exchange rates.

**(cc) Environmental matters and emissions trading**

Future exploration and production developments are subject to a range of environmental legislation which may change in a manner that may include requirements in addition to those now in effect. Such changes may impose or require a heightened degree of responsibility and liability for companies and

their directors and employees. There may also be unforeseen environmental liabilities resulting from oil and gas related activities, which may be costly to remedy. In particular, any change to environmental laws (either in Australia or in the jurisdiction of any of Enege's customers or suppliers) may have a material adverse effect on Enege's businesses.

For example, the Australian Federal Government's carbon tax may indirectly impact Enege's ongoing operations as a result of increased operating costs as suppliers and other providers pass through their costs associated with the carbon or any emissions trading scheme as now mooted.

**(dd) Loss of key personnel**

Enege's operations will be dependent upon the continued performance, efforts, abilities and expertise of its key personnel and of the key personnel of its suppliers and contractors from time to time. There are no guarantees that Enege will be able to retain these employees or that it will be able to prevent them from competing with Enege in the event of their departure.

**(ee) Reliance on third parties**

Through Enege's participation in joint ventures and its use of contractors and other third parties for exploration and other services, it is reliant on a number of third parties for the success of its current operations and for the development of its exploration projects. While the situation is normal for the oil and gas industry, problems caused by third parties may arise which have the potential to impact on Enege's performance and operations. Any failure by counterparties to perform their obligations may have a material adverse effect on Enege and there can be no assurance that Enege would be successful in attempting to enforce any of its contractual rights through legal action.

**(ff) Industrial action**

Enege will be subject to the risk of industrial action and work stoppages by Enege's employees and the employees of contractors who provide services which are necessary for the continued operation of Enege's businesses.

**(gg) Safety legislation**

Current and future exploration and production facilities are subject to a range of safety legislation which may change in a manner that may include requirements in addition to those now in effect and a heightened degree of responsibility for companies and their directors and employees.

**(hh) Changes in accounting policies**

Enege will be subject to the usual business risk that there may be changes in accounting policies which have an adverse impact on Enege.

**(ii) Valuation**

No valuations of the Permit interests held by Enege have been prepared or obtained for inclusion in this Information Memorandum.

## SECTION 11

### CORPORATE GOVERNANCE

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#### 46. CORPORATE GOVERNANCE

Enegex seeks to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles for Good Corporate Governance and Best Practice Recommendations. These corporate governance procedures, policies and practices are described below.

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals and monitoring of the business and affairs of the Company on behalf of the Shareholders.

This section of the Information Memorandum includes information on how the Company and the Board address, on an ongoing basis, the specific requirements of ASX in relation to corporate governance in general and more specifically regarding the operation of the Board itself, Board committees and their charters, the Company's code of ethics and its share transaction policy for designated officers (as they are defined).

Important to a culture of actively addressing the area of corporate governance is the Board's ongoing review of the Company's relevant and existing policies and practice. To this end the Board annually reviews the Company's corporate governance activities by benchmarking against the latest Corporate Governance Principles and Recommendations ("principles & recommendations") issued by the ASX Corporate Governance Council ("Council"). The Board has adopted the elements of the eight principles & recommendations that are appropriate to the Company. Details of the governance practices applied by the Company and specific instances where the Company has followed alternatives to the Council's eight principles & recommendations are set out below.

Given the size of the Company to date, with limited activities, limited resources and having a Board with a complement of only three Directors, it is not able to practically establish a series of separate committees to address specific areas of corporate governance. Consequently, corporate governance is (generally) dealt with by the Board under the terms of reference of its own charter. It also acts as committees in relation to the various areas or issues required to be considered, utilising formal terms of reference for the activities of those committees.

As noted, the capacity of the Company to comply with the principles & recommendations is limited because of the present size and structure of the Board. At the date of this Annual Report, the Board comprises Mr Robert Coppin, as an independent Chairman and Chief Executive Officer, Mr Graeme Menzies, as an executive director who is not independent and Mr Brett Maltz, a non-executive director who is independent. Mr Menzies is not independent because of past and present professional and commercial relationships with the Company.

Separate from its own charter (the main terms of which are detailed below), the Board has developed formal charters that incorporate the terms of reference under which it addresses the areas and functions of audit, compliance, remuneration and nominations - these are explained below. The charters introduce a formal structure of objectives and functions for the Board to apply when addressing these aspects of the Company's corporate governance, in anticipation of an expanded Board being able to address these functions via committees constituted with the recommended personnel.

The Board has established itself as two committees to separately address the areas of audit & compliance and remuneration & nominations and each of the Directors is a member of those committees. The Board has not established separate committees to address risk management or health, safety and environment, with such issues currently dealt with by the Board as a whole.

In relevant situations, any interested Director(s) are expected to abstain or be absent from Board or committee deliberations as required either by the Corporations Act 2001 ("Act") or as necessary to avoid conflict or possible breach of their fiduciary duties.

## Board Charter

The Company's charter for its Board ("Charter") provides that the Directors are appointed by the Shareholders and are (individually and collectively) responsible for the activities of the Company in accordance with legal and regulatory requirements and the Company's Constitution.

The Charter sets out that the primary role of the Board is to create shareholder wealth (with a long term bias) and, in that context, to have due regard to the interests of other stakeholders.

The Board is to achieve this by:

- ensuring the Company has effective processes and systems in place to enable the Board to plan strategically, review current strategy, consider alternative strategies, monitor corporate performance and capabilities and recognise and oversee the management of risk;
- setting, overseeing and maintaining the Company's values, corporate governance framework, compliance with regulatory and ethical standards and ensuring that these are adhered to in the interests of the Company's shareholders, employees, customers, suppliers and the communities in which it operates;
- safeguarding the reputation of the Company;
- ensuring there is an effective balance between the delegation of responsibility for the day-to-day operation and management to the CEO and the role of the Board in monitoring, guiding and providing oversight;
- ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- ensuring that the performance of Management, and the Board itself, is regularly assessed and monitored;
- promoting a culture where transparent and timely information is shared between management and the Board and where there is opportunity to advance proposals, challenge views, assumptions and beliefs in an environment of trust, respect and openness;
- ensuring effective communication with Shareholders; and
- appointing, terminating and reviewing the performance of the CEO.

The Charter also provides specific provisions and guidance to the Board in relation to:

- Composition of the Board;
- Selection of Directors;
- Board committees and their makeup;
- Board authorities and accountabilities;
- Taking independent advice;
- Individual responsibilities;
- Conduct of Board meetings and record-keeping; and
- Review of Board and Director performance.

The Board reviews the Charter at least once a year to ensure it remains consistent with the Board's objectives and responsibilities.

## **Audit & Compliance Committee**

The function of an Audit & Compliance Committee is to give additional assurance regarding the quality and reliability of financial information used by the Board and regarding the financial information provided by the Company pursuant to its statutory reporting requirements.

Aspects of the audit and compliance function to be addressed by this Committee as part of its terms of reference are:

- to consider any matters relating to the financial affairs of the Company;
- compliance with statutory requirements;
- adherence to applicable Listing Rules; and
- issues relating to internal and external audit.

Additional to those aspects, the Board examines any other matters of an audit or compliance nature that come to its attention or are referred to it.

## **Remuneration & Nominations Committee**

The core remuneration function of this Committee is reviewing the remuneration policies and practices of the Company. Where relevant, this review covers compensation arrangements for executives, superannuation arrangements, the requirements for an employee share and option plan, performance reviews, succession planning and the fees of non-executive Directors.

When addressing these areas, the non-interested Directors who carry out these functions have access to independent advice and comparative studies on the appropriateness of remuneration arrangements.

In the event of exploration success or expansion of the Company's operations beyond those currently capable of being undertaken, the remuneration levels of Directors may increase; but not beyond the approved limit set from time to time by the Shareholders for directors' fees. It should be noted that directors remuneration as fixed in general meeting does not include salary (and associated benefits, including superannuation) payable to executive Directors.

The functions of the Committee in relation to nominations are:

- to identify and recommend candidates to fill Board vacancies as and when they arise;
- before recommending an appointment, to evaluate the balance of skills, knowledge and experience on the Board and, in the light of that evaluation, to determine the role and capabilities required for the appointment;
- to make recommendations to the Board with respect to the:
  - (a) re-appointment of any non-executive Director at the conclusion of their specified term of office; and
  - (b) re-election by Shareholders of any Director under the retirement by rotation provisions in the Company's constitution;
- to formulate succession plans for both non-executive and executive Directors, taking into account the expertise required on the Board in the future;
- to review the structure, size and composition of the Board; and
- to consider such other matters relating to Board nomination or succession issues as may be referred to it by the Board.

## **Adherence to the ASX Principles & Recommendations of Corporate Governance**

### **Principle 1 - Lay Solid Foundations for Management and Oversight**

The Board's primary role is the stewardship of the shareholders' funds with the objective of creating long term shareholder value. In fulfilling this role, the Board accepts overall responsibility for corporate governance. A board charter, which outlines the framework for its operation and of those functions delegated to the management, has already been outlined above.

At the date of this Information Statement, the Company's only senior executives were the Chairman, the Company Secretary, (who is also the Chief Financial Officer ("CFO") and a Consultant Geophysicist / Exploration Manager. Where necessary, the Company utilises contractors to provide expertise for technical, legal and administrative services.

The performance evaluation of each Director is undertaken together with the other members of the Board. This evaluation comprises a board performance appraisal and director self-assessments that are reviewed by the Chairman.

### **Principle 2 - Structure the Board to Add Value**

#### *Board Composition*

At the date of this Annual Report, the Board comprised three Directors. Mr G. Menzies is executive Chairman but not independent. Mr R. Coppin and Mr B. Maltz are both non-executive, independent Directors.

The Chairman administers the procedure for Directors to seek independent professional advice, at the Company's expense, to assist them to fulfil their duties and obligations.

#### *Independence*

The Company has a majority of independent directors.

The Board determined that, where these are available, the specific skills of the non-executive Directors may be called upon from time to time to assist the Management. The Board has established a level of remuneration paid for those services as a materiality threshold to determine a Director's non-executive status.

#### *Committees*

Given the size of the Board and the scope of the Company's activities, the Company does not have a separate nominations committee, with the functions of such a committee being undertaken by the Board under the terms of reference of the Remuneration & Nominations Committee.

As noted in Principle 1, 'board performance appraisals' and 'director self-assessments' will be undertaken during the reporting period.

### **Principle 3 - Promote Ethical and Responsible Decision-making**

The Board has established a:

- board charter, outlining the responsibilities and activities of the board and individual directors within legal and regulatory requirements and the Company's constitution;
- code of ethics, setting out the standards of ethical behaviour required of directors and employees;
- share transaction policy, setting out the position of the Company on trading in the Company's securities by designated officers (as these are defined); and
- committee charters describing the terms of reference for the operation of the Audit & Compliance and the Remuneration & Nominations Committees.



#### **Principle 4 - Safeguard Integrity in Financial Reporting**

Each financial year, the CEO and CFO will formally record that the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with accounting standards.

Given the size of the Board and the scope of the Company's activities, the Board acts as the Audit Committee, with the functions being undertaken by the Board under the terms of reference of that Committee's charter. With two independent directors, the composition of the Audit Committee complies with this 4<sup>th</sup> principle & recommendation in terms of composition.

The number of meetings of the Audit Committee held during each reporting period and the names of the attendees are to be set out in the relevant Directors' Report in each Annual Report.

The Audit Committee has a formal charter that incorporates its terms of reference. As required by that charter, the Board annually reviews the performance and ongoing independence of the (external) Auditors. The need (or not) for rotation of the lead partner or of the Auditors themselves forms part of that annual review.

#### **Principle 5 – Make Timely and Balanced Disclosure**

The Board has established policies and procedures designed to ensure compliance with all applicable Listing Rule disclosure requirements (and consequently continuous disclosure requirements under the Act) such that:

- all investors have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way.

The Chairman, a Director or the Company Secretary authorises all disclosures necessary to ensure compliance with disclosure requirements under the Listing Rules and the Act.

#### **Principle 6 - Respect the Rights of Shareholders**

The Board has established a policy for communicating with the Company's shareholders by:

- sending each of them the Annual Report;
- placing all shareholder related information and Stock Exchange announcements promptly onto the Company's website in an accessible manner;
- ensuring shareholder participation in meetings by use of the Council's guidelines for meetings and notices; and
- encouraging shareholders at the annual general meeting to question both the Directors (about the Company's governance and business) and the external Auditors (about the conduct of the audit and the content of the audit report).

#### **Principle 7 - Recognise and Manage Risk**

The Board is responsible for overseeing the effectiveness of risk management so as to:

- identify, assess, monitor and manage risk; and
- inform investors of the nature of, and material changes to, the Company's risk profile.

The Company's activities are currently centred on advancing its inherently high-in-risk exploration projects. Apart from geological risk, material business risks include financial, operational, environmental and technological risk.

The Board considers the existing policies and procedures for risk oversight to be appropriate for the Company's current stage of development.

At each major milestone of the Company's projects, specific risk oversight and management policies are developed consistent with activities at that time. The Board categorises the various types of risks facing the Company by assessing their likelihood (as high, medium or low), gauging their consequences (as severe, significant or minor) and seeking to mitigate the related risk (by sharing risk with others (farmout or sale), raising of additional equity capital, employment of consultants, outsourcing, insurance or management process). These matters are included in a risk matrix, the content of which is actively reviewed on a regular basis and which is considered by the Board at each Board meeting.

In relation to any financial reporting period, the Board receives formal assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### **Principle 8 - Remunerate Fairly and Responsibly**

Given the size of the Board and the scope of the Company's activities, the Board acts as the Remuneration Committee, with the functions being undertaken by the Board under the terms of reference of that Committee's charter.

The Board reviews the remuneration packages of Directors and executives on an annual basis.

The Company's policy for determining the nature and amount of emoluments of Directors, non-executive and executive, is as follows:

- fees for non-executive Directors are based on the demands and responsibilities of their role. In determining these fees, regard is had for similar fee structures paid to non-executive directors in peer group companies;
- the remuneration structure for executive Directors is determined having regard to industry practice, market trends and company performance;
- performance related incentive payments are based on share price performance targets but may also become based partly on other performance criteria established from time to time; and
- there is no provision of retiring allowances for Directors.

The audited Remuneration Report (that is included in each Annual Report) details all forms of remuneration provided to the Directors during the relevant reporting period.

#### **Code of Ethics**

The Company has in place a Code of Ethics ("Code") which is the framework of standards under which the Directors, officers and employees of the Company are expected to conduct their professional lives. The Code is not intended to prescribe an exhaustive list of acceptable and non-acceptable behaviour, rather it is intended to facilitate decisions that are consistent with the Company's values, business goals and legal and policy obligations, thereby enhancing performance outcomes.

The Code will be subject to annual review by the Board and is based around articles covering the areas of:

- Conflicts of interest;
- Gifts;
- Corporate opportunity;
- Confidentiality;
- Behaviour;
- Proper use of the Company's assets and information;

- Compliance with laws and policies;
- Delegated authority;
- Additional director responsibilities;
- Information for the Board; and
- Reporting concerns.

### **Share Transaction Policy**

The Company's share transaction policy provides guidelines for designated officers with regard to trading of the Company's securities. A designated officer conducting a trade is responsible and accountable for ensuring any trade they conduct complies with the law and this policy.

The share transaction policy covers:

- Who are designated officers;
- Trading windows;
- Trading black-outs;
- Trading at other times;
- Trading in financial products issued or created over the Company's securities by third parties; and
- Trading in associated products which operate to limit the economic risk of security holdings in the Company.

## SECTION 12

### RIGHTS AND LIABILITIES ATTACHING TO ENEGEX SECURITIES

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#### 47. RIGHTS AND LIABILITIES ATTACHING TO SHARES

All Shares are fully paid and rank equally for all purposes

This section contains a summary of the key rights and liabilities attaching to your Shares. As EnegeX is a “*No Liability*” company these rights and liabilities vary from those which attach to shares in a *Limited Liability* status company, particularly in relation to liability for calls and rights to dividends and distributions which are detailed below.

This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of EnegeX shareholders, which can involve complex questions of law arising from the interaction of the Constitution and statutory, common law and Listing Rule requirements. You should seek your own advice when trying to establish your rights and liabilities in specific circumstances.

Under section 140(1) of the Corporations Act, the constitution of EnegeX has effect as a contract between EnegeX and each member and between each member. Accordingly, as a member of EnegeX, you are bound by the constitution of EnegeX. However, as the Shares are fully paid, no monetary liability attaches to them.

#### Meetings of EnegeX Shareholders

Subject to the provisions of the constitution, each member is entitled to receive notice of, and to attend and vote at, general meetings and to receive all notices, accounts and other documents required to be furnished to members under the constitution, the Corporations Act and the Listing Rules.

A general meeting may be called by:

- (a) a resolution of the directors of EnegeX; or
- (b) at the request of:
  - (i) members with at least 5% of the votes that may be cast at the general meeting; or
  - (ii) at least 100 members who are entitled to vote at the general meeting.

#### Voting rights

At a general meeting, every member present in person or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for each fully paid share held. A qualification to the above is that where a person is present at a meeting as proxy or representative for more than one member then on a show of hands that person shall have only one vote and not one vote for each person represented by him.

On a poll, a member who holds a share that is not fully paid shall be entitled to a fraction of a vote equal to the proportion that the amount paid-up bears to the total issue price of the share.

#### Reports and notices

Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the constitution and the Corporations Act. The constitution provides that where a member's address is unknown and the company has bona fide reason to believe that a member is not known at the member's address as shown in the register of members and has not

supplied another address to the company for the giving of notices, notice can be given to the members by displaying the notice and associated documents at the registered office of the company. A procedure for determining when and in what circumstances the directors will be considered to have a bona fide reason to believe the member is not at the members address in the register is set out.

Briefly, where:

- (a) the company has previously despatched items of postage to a member at the member's address as shown in the register of members; and,
- (b) such items of postage have been returned by Australia Post to the company or the company's share registrar marked "*not known at this address*" or to like effect; and,
- (c) the company's share registrar has entered a note in the share register against the name of the member that the member's address is "*unknown*" or to like effect; and,
- (d) the member has not supplied another address to the company for the giving of notices;

then the company will be deemed to have bona fide reason to believe that a member is not known at the member's address as set out in the register and each such member will be deemed to have been served with a copy of such notice and all documents accompanying such notice by the exhibiting of the single copy of the notice and accompanying documents at the registered office of the company in accordance with the rule.

## **Dividends**

The Directors may declare and authorise the distribution, from the profits of EnegeX, of dividends to be distributed to members according to their rights and interests. EnegeX Shares issued under the Share Scheme will be entitled to dividends that have a record date on or after the date of issue.

As EnegeX is a *No Liability* company under section 254W(4) of the Corporations Act, dividends are payable to its members in proportion to the number of shares held by them, irrespective of the amount paid up, or credited as paid up, on the shares, subject only to any provisions in the company's constitution relating to shares that are not ordinary shares. In a *Limited Liability* status company dividends are paid in proportion to the amount paid up on shares.

The provisions dealing with incorporate provisions in the Corporations Act which now permit dividends to be paid other than out of profits. Section 254T of the Corporations Act states that a company must not pay a dividend unless:

- (a) The company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) The payment of the dividend is fair and reasonable to the company's members as a whole; and
- (c) The payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The constitution specifically includes power for dividends to be paid by distribution of assets (including shares or other financial products) as well as money. Each member is deemed, for all purposes, to have agreed to accept any such distribution and, where shares or other financial products are distributed, to become a member of the body corporate or other entity, the shares or financial products of which have been distributed, and in addition, each member appoints the company and each of its directors as attorneys to do all things needed to give effect to the distribution, including agreeing to become a member of any body corporate the shares of which are so distributed. Where shares or other financial products are distributed special provisions have been included dealing with foreign members under which entitlements of foreign members will be held by a nominee and sold with the aggregate proceeds of sale of all foreign members entitlements being distributed amongst them pro rata their respective entitlements.

## **Power to reduce capital**

Whilst generally covered by the Corporations Act, provisions relating to reduction of capital are included in the constitution

Under the provisions in the constitution the company may reduce its share capital in any way permitted by law in such matter as determined upon by the directors. Ancillary provisions dealing with distributions of assets, whether by way of reduction of capital or dividend are included confirming that payment of any dividend or return of capital may be satisfied by way of distribution of assets (including shares or other financial products) as well as money. Each member is deemed, for all purposes to have agreed to accept such distribution and, where shares or other financial products are distributed, to become a member of the body corporate or other entity, the shares or financial products of which have been distributed and, in addition each member appoints the company and each of its directors as attorneys to do all things needed to give effect to the distribution, including agreeing to become a member of any body corporate the shares of which are so distributed. Where shares or other financial products are distributed special provisions have been included dealing with foreign members under which entitlements of foreign members will be held by a nominee and sold with the aggregate proceeds of sale of all foreign members entitlements being distributed amongst them pro rata their respective entitlements.

## **Variation or cancellation of class rights**

The rights, privileges and restrictions attaching to a class of shares may be varied with the consent in writing of the holders of 75% of the class or by a special resolution (at which 75% of the votes cast at the meeting voted in favour of the modification. Notice of variation must be given to the holders of shares affected within seven days of the variation. This is in accordance with the provisions of section 246B(2) of the Corporations Act and follows the procedures set out in that section and incorporates them in the constitution as the method for modifying rights attached to a class of shares. This provision dispenses with the requirement for a separate meeting of all members to also approve modification of rights.

If the rights attached to a class of shares are varied or cancelled without the consent of all the members of the class, members with at least 10% of the votes attaching to those shares may apply to a court of competent jurisdiction to exercise its discretion to have the variation or cancellation set aside. Note that there is no present intention for Enegex to pay dividends in the foreseeable future.

## **Transfer of shares**

Subject to the constitution, the Corporations Act, the Listing Rules or other legislation, shares are freely transferable.

Shares are transferable by:

- (a) a written transfer in any usual or common form or other form as the directors may approve, duly stamped (if necessary) and being delivered to Enegex;
- (b) a proper transfer, which is in the form required or permitted by the Corporations Act; or
- (c) a proper transfer effected in accordance with the ASTC Settlement Rules.

The directors may, subject to the requirements of the Corporations Act and the Listing Rules, refuse to register any transfer of shares in the following circumstances:

- (a) if the registration would infringe any applicable laws or the Listing Rules;
- (b) where the transfer is not in registrable form; or
- (c) if permitted to do so under the Listing Rules.

## **Sale of non-marketable parcels**

The provisions of the constitution dealing with sale of non-marketable parcels of shares enables non-marketable shares to be sold in parcels with the rights of holders being to a proportionate part of the aggregate proceeds of the parcel sold rather than requiring separate sale of each specific non-marketable parcel. This reduces administrative complexity and results in a generally fairer result for such members as a whole. In this context:

- (a) A non-marketable parcel of shares is currently a parcel that is worth less than A\$500. The cost to the company of maintaining these parcels is high relative to the value of shares in the parcels.
- (b) To minimise the ongoing costs of maintaining its share register, these provisions enable the company, subject to certain restrictions, to request a member who holds a non-marketable parcel of shares to elect to either retain the shares or have them sold by the company on the member's behalf in accordance with the ASX Listing Rules.
- (c) Subject to the Listing Rules, these provisions can only be used once in any 12 month period and may not be given during the offer period of a takeover bid. If a takeover bid for the company is announced after a notice is given but before agreement is entered into for the sale of the shares, this rule ceases to operate for those unsold shares. However, under the Rule and the Listing Rules, the procedure may be started again after the close of the offers made under the takeover.
- (d) A member will have at least six weeks from the date of receiving a notice from the company to elect either to retain their non-marketable parcel of shares or to have the company sell them for the member.
- (e) If an election is not received from a member by the notified time, the member is deemed to have approved the sale.
- (f) On the sale of some or all of the shares constituting such unmarketable parcels, the company shall account to each of the members for the proceeds of sale of the shares sold and shall pay each of the members that proportion of the gross proceeds of sale of the shares sold as bears the same proportion to the aggregate gross proceeds of sale of those shares as the former member's holding of shares sold bears to the total number of the shares so sold. The proceeds of sale will be sent to the member after notification from the Share Registry that the transfer of the shares has been registered and the person holding the non-marketable parcel sold has ceased to be a member in relation to those shares.

## **Issue of further shares**

The allotment and issue of shares is under the control of the directors. Subject to restrictions on the allotment of shares to directors and their associates contained in the constitution, the Listing Rules and the Corporations Act, the directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

Without affecting any special rights conferred on the holders of any shares, any share may be issued with preferred, deferred or other special rights, obligations or restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise, as the directors may determine.

Where shares are issued, although the issue price must be denominated in Australian currency, the company can agree a conversion rate for other currencies and accept payment in another currency with the rate of conversion being set by the directors. This recognizes, in particular, the difficulty of New Zealand resident members paying for shares in Australian currency and may make acceptance of offers of shares by them more likely.

## **Winding up**

Subject to any special or preferential rights attaching to any class or classes of shares, members will be entitled in a winding up to share in any surplus assets of the company in proportion to the

shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.

### **Rights attaching to partly paid shares**

Generally, the rights of a holder of a partly paid share which has not been forfeited shall be the same as those of the holder of a fully paid share and, without limiting the generality of the foregoing:

- (a) a holder of a partly paid share shall be entitled to participate in any rights issue on the same basis as the holder of a fully paid share, which right of participation shall be without regard to the amount paid up on, or unpaid in relation to, any such partly paid share unless a call on the share has been made and such call is due and unpaid and the partly paid share has been forfeited in accordance with section 254Q(1) of the Corporations Act in which circumstance the holder of such partly paid share shall not be entitled to participate in such rights issue.
- (b) on any reduction of capital or return of capital, where any distribution of capital or assets is made, a holder of a partly paid share shall be entitled to participate in any such distribution in like manner as the holder of a fully paid share in proportion to the number of shares held by the holder of the partly paid shares, irrespective of the amount paid up on, or unpaid in relation to, any such partly paid share unless a call on the share has been made and such call is due and unpaid and the partly paid share has been forfeited in accordance with section 254Q(1) of the Corporations Act in which circumstance the holder of such partly paid share shall not be entitled to participate in such rights issue. .

### **Partly paid shares and liability for calls**

Under the constitution and the Corporations Act, members holding partly paid shares are not liable to pay any calls made on any partly paid shares held by them. They may, in lieu of paying calls, elect to have their partly paid shares forfeited against them. At present there are no partly paid shares on issue.

Where a call has been made in relation to a partly paid share and the call is due and payable and remains unpaid then, in accordance with section 254W(3) of the Corporations Act, the member holding such partly paid share is not entitled to receive or be paid a dividend on that share. For clarity, a call will be due and unpaid if the company has complied with section 254P of the Corporations Act and has not received payment of the moneys due in satisfaction of the call in cleared funds by the time and date on which payment of the call is required to be made as notified by the company to the holder of the partly paid share in accordance with section 254P of the Corporations Act.

### **Forfeiture of partly paid shares**

If payment of a call in respect of a share is not made within 14 days after the call became payable, then the share is immediately forfeited. The Corporations Act provides for the overall requirements which must be complied with in forfeiture and sale of partly paid shares and encapsulates the rights of partly paid members in this regard. Once a forfeited share has become the property of the company following an auction, the directors may sell, reissue or otherwise dispose of the share in such manner and on such terms as they think fit and, in the case of reissue or other disposal, with or without any money paid on the share by any former holder being credited as paid up.

Pursuant to section 254Q(9) of the Corporations Act a forfeited share must be held by the directors in trust for the company until otherwise disposed of. The Act does not provide how this arises as, until the forfeited share is subsequently dealt with, it would normally remain in the name of the forfeited member. However, on a share becoming a forfeited share, the member in whose name the share is registered forfeits the right to deal with the share. To facilitate the application of section 254Q(9), and to more readily enable the Directors to deal with forfeited shares, the constitution provides where any forfeited share has failed to sell at auction for any reason, that forfeited share shall be transferred from the name of the holder thereof into the joint names of the directors to be held by them on trust for the company in an account designated "*forfeited shares account*". Such shareholding shall be under the sole control of the directors from time to time and



shall be held in trust for the company until re-issued by the company. For this purpose each holder of any partly paid share shall, by the terms of issue thereof, be deemed to have appointed each director of the company from time to time as that holder's attorney to execute any transfer, direction, consent or other paper writing required to give effect to this rule. The transfer into the name of the directors does not affect the members statutory right of redemption as, under section 254R the right to redeem the forfeited share, a person may only redeem a forfeited share at any time up to or on the last business day before the proposed sale.

## **Directors**

The constitution provides that the company must have between three and 12 directors.

The constitution contains provisions relating to the rotation of directors (other than managing directors and alternate directors). The constitution incorporates recent changes to the Corporations Act restricting directors fixing board limits without the approval of members in general meeting.

## **Officers' indemnity**

To the full extent permitted by law, the company indemnifies each officer (including former officers) against all losses or liabilities incurred by the person as an officer of the company or of a related body corporate.

## **Amending the constitution**

The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution by at least 75% of the votes cast by members entitled to vote on the resolution. The constitution does not provide for any further requirements to be complied with to effect a modification of, or to repeal, it.

## **Proportional takeovers:**

The constitution contains proportional takeover approval provisions which will apply for a period of three years from incorporation after which time they will cease to have effect unless renewed.

The Corporations Act sets out the terms of the relevant provisions to be included in the constitution. Section 648G of the Corporations Act requires that a company provides its members with sufficient information to make an informed decision on whether to support or oppose a resolution to approve inclusion or adoption of proportional takeover approval provisions in its constitution. For your information those matters required to be dealt with under section 648G to enable you to make that informed decision are set out below as they are relevant to your approval of the Schemes as the Enegetex Shares and your rights will be affected by them.

### **(a) Why is there any need for proportional takeover approval provisions?**

In a proportional takeover bid, the bidder offers to buy a proportion only of each member's shares in the target company.

This means that control of a company could pass without members having the chance to sell all their shares to the bidder. The bidder could take control of a company without paying an adequate amount for gaining control.

In order to deal with this possibility, a company may provide in its constitution that if a proportional takeover bid is made for shares in the company, members must vote on whether to accept or reject the offer and that decision will be binding on all the members.

The benefit of the provision is that members are able to decide collectively whether the proportional offer is acceptable in principle and it may ensure that any partial offer is appropriately priced.

**(b) What is the effect of the proportional takeover approval provisions?**

If a proportional takeover bid is made, the directors must ensure that members vote on a resolution to approve the bid more than 14 days before the bid period closes.

The vote on a resolution to approve a proportional takeover is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held securities in the class of security being bid for, is entitled to vote, but the bidder and its Associates (within the meaning of the Corporations Act) are not allowed to vote.

If the resolution is not passed, binding acceptances already received under the bid are required to be rescinded, and all unaccepted offers and offers failing to result in binding contracts under the bid are taken to have been withdrawn by the bidder.

If the bid is approved, or is taken to have been approved, those transfers must be registered if they comply with the Corporations Act and the company's constitution.

Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on. However, if the resolution is not voted on, the bid will be taken to have been approved.

The proportional takeover approval provisions do not apply to full takeover bids and only apply for 3 years after the date of adoption of the constitution. The provisions may be renewed, but only by a special resolution.

**(c) Known proposals by any person to acquire or increase an existing substantial interest**

At the date of this Information Memorandum there are no proposals which would result in the acquisition by any person of shares in Enegex to which these the proportional takeover approval provisions would or could apply.

**(d) Potential advantages and disadvantages**

The Directors consider that the proportional takeover approval provisions have no potential advantages or disadvantages for them. They remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The proportional takeover provisions have no specific advantages or disadvantages for you per se.

**(e) Potential advantages**

Possible potential advantages of the proportional takeover approval provisions for members are:

- (a) members will have the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) the provisions may help members avoid being locked in as a minority;
- (c) knowing the view of the majority of members may help each individual member assess the likely outcome of the proportional takeover bid and to decide whether to accept or reject that offer.
- (d) In certain circumstances, the requirement for approval of a proportionate takeover could give members some leverage to increase the consideration being offered.

**(f) Potential disadvantages**

Possible potential disadvantages for members include:

- (a) proportional takeover bids for shares may be discouraged;
- (b) members may lose an opportunity of selling some of their shares at a premium; and

- (c) the chance of a proportional takeover bid being successful may be reduced

Members should also consider and note that the proportionate takeover provisions do not apply to mergers which are governed by the provisions of sections 410 to 415 of the Corporations Act, to which members are referred.

The Enegetex Board considers that the potential advantages for members of the proportional takeover approval provisions outweigh the potential disadvantages.

**(g) Additional Shareholder protection**

Section 648G(6) of the Corporations Act provides a right for members to oppose a company altering its constitution by inserting or renewing proportional takeover approval provisions by providing that members who together hold not less than 10% (by number) of the issued securities in a class of securities in the company to which the provisions apply may, within 21 days after that day, apply to the Court to have the purported alteration or renewal set aside to the extent to which it relates to that class. However until or unless and until an order is made by the Court setting aside the purported alteration or renewal to that extent, the company is generally taken for to have validly altered its constitution by inserting or renewing those provisions.

**48. TERMS AND CONDITIONS OF ENEGEX OPTIONS**

The full terms of the Enegetex Options are as follows.

- (a) The option shall expire at 5:00pm (AEST) on 30 June 2015 ("Expiry Date").
- (a) The option shall entitle the Optionholder to subscribe for one (1) ordinary share in the capital of the Company. A share issued on the exercise of the option will be a fully paid ordinary share and will rank equally in all respects with the then existing issued ordinary fully paid shares in the capital of the Company from the date of issue and will be subject to the provisions of the Constitution of the Company as in force from time to time.
- (b) The option may be transferred at any time in accordance with the Corporations Act 2001 ("the Act"), the Security Clearing House Business Rules and the ASX Listing Rules.
- (c) The option shall be exercisable at \$0.10 (10 cents) ("Exercise Price").
- (d) The option may be exercisable at any time prior to the Expiry Date by notice of exercise in or to the effect of the form provided to the Optionholder by the Company at the time of grant of the option or otherwise accompanied by payment of the Exercise Price.
- (e) An Optionholder has no right to a change in the Exercise Price or to any change to the number of underlying securities over which the option can be exercised.
- (f) The option shall not entitle the holder to participate in new issues of ordinary shares offered to Members during the currency of the option.
- (g) In the event of any reorganisation of the capital of the Company, the options shall be treated in the manner required by the ASX Listing Rules in force as at the date of any such reorganisation, and as appropriate to the type of reorganisation proposed.

## SECTION 13

### DIRECTORS INTERESTS

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#### 49. DIRECTORS' INTERESTS IN ENEGEX SECURITIES

Director's name	Enegex Shares	Enegex Options
R Coppin	16,667	0
G A Menzies	1,479,444	268,333
B D Maltz	41,416	235,000
<b>TOTAL</b>	<b>1,537,527</b>	<b>503,333</b>

Table 15: Directors' interests in Enegex securities

#### 50. DIRECTORS' INTERESTS IN PERMIT INTERESTS ACQUIRED BY ENEGEX

Save that each of the Directors of Enegex has had an indirect interest in the Permits acquired by Moby by virtue of being shareholders and, as applicable, optionholders in Moby, none of the Directors has had any interest in such Permits.

The Directors' indirect interest in the Permits was identical to the indirect interest of any other securityholder in Moby. None of the Directors were vendors of the Permits to Moby, nor are they promoters of Enegex.

As at the Record Date to determine entitlements to the Shares under the demerger of Enegex from Moby, Mr Coppin held 50,000 Moby shares and no Moby options, Mr Menzies and his interests held 4,438,332 Moby shares and 804,999 Moby options and , Mr Maltz and his interests held 124,250 Moby shares and 705,000 Moby options. The total holding of Moby Shares by Enegex Directors was 4,612,582 Moby Shares, representing approximately 1.4% of Moby's then issued capital. As disclosed in Appendix 3Y statements lodged by Mr Menzies, 4,000,000 of those Moby Shares were acquired by Mr Menzies' interests subsequent to the Supreme Court of Victoria ordering meetings to be convened to consider the schemes but prior to the holding of the said meetings.

#### 51. MATERIAL AGREEMENTS WITH DIRECTORS AND AGREEMENTS WITH RELATED PARTIES

Other than as set out herein in relation to remuneration or otherwise, the Company has not entered into any material agreements with directors and save as set out herein no present Director or Associate of any Director (within the meaning of the corporations Act) has received or become entitled to receive a benefit by reason of any contract made by Enegex with that Director (or Associate) or with a firm of which that Director is a member, or with a company or entity in which that Director has a substantial financial interest.

Further, no amounts have been paid or agreed to be paid by any person or Enegex to any Director or any such firm, company or other entity, whether in cash, by issue or provision of securities or otherwise to induce him or her to become or to qualify him or her as, a director, or for services rendered by him or her or by such firm, company or entity in connection with the promotion or formation of Enegex save that are that:

- (a) Mr Graeme Menzies and his interests are providing legal and associated services on normal commercial terms and conditions to Enegex in relation to various matters including the admission of Enegex to the Official List of ASX as disclosed herein;
- (b) With effect from the Implementation Date, the Enegex Directors will be entitled to be paid Directors fees and remuneration at normal commercial rates.

## **52. DIRECTORS' OTHER INTERESTS**

In addition to the above, the Directors and the Company Secretary:

- (a) are entitled to be remunerated as set out herein.
- (b) hold shares as set out herein;

but are not otherwise entitled to participate in profits in any way other than as shareholders, in like manner as any other shareholder, in the event that EnegeX should make any distribution or declare any dividend or return of capital.

## **53. OTHER RELATED PARTY TRANSACTIONS**

Within the knowledge of the Directors, save as set out in this Information Memorandum or as previously disclosed to the market from time to time, EnegeX has not entered into any related party transactions.

## SECTION 14

### ASX WAIVERS AND RULINGS

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Enegex has made application to ASX for rulings and the grant of various waivers considered necessary to enable Enegex to be admitted to the Official List of ASX without requirement to lodge a prospectus or comply with the requirements of chapters 1 and 2 of the Listing Rules in like manner as on an initial application for listing.

#### 54. ASX RULING

ASX has made the following rulings based on the information provided by Enegex.

Normally, under Listing Rule 1.1 condition 3, a prospectus or an information memorandum that complies with the information memorandum requirements of Appendix 1A will be sufficient instead of a prospectus must normally be issued and lodged with ASIC. The ASX ruling modifies that requirement to not require a prospectus and to permit a modified Information memorandum to be lodged that does not comply with the requirements of Appendix 1A.

ASX has:

- (a) Agreed that Enegex may issue this Information Memorandum based on the scheme booklet relating to the Share Scheme and the Option Scheme and that complies with the information memorandum requirements under Appendix 1A of the Listing Rules (except as waived) instead of a prospectus for the purposes of Listing Rule 1.1 condition 3.
- (b) Granted a waiver from Listing Rule 1.1 condition 3, to permit Enegex not to comply with paragraph 42 of Appendix 1A to the extent necessary to permit the Company not to provide a brief history of Enegex or of its subsidiaries.
- (c) Granted a waiver from listing rule 1.1 condition 3, to permit Enegex not to comply with paragraphs 87, 87A and 87C of Appendix 1A to the extent necessary to permit Enegex not to provide the financial statements referred to in those paragraphs.
- (d) Granted a waiver from listing rule 1.1 condition 3 to permit Enegex not to comply with paragraph 106 of Appendix 1A requiring details of Enegex's existing and proposed activities and level of operations and a statement of its main business.
- (e) Granted a waiver from listing rule 1.1 condition 3 to permit Enegex not to comply with paragraph 108 of Appendix 1A to the extent necessary to permit the information memorandum not to state that it contains all information required under s. 710 of the Corporations Act 2001 (Cwth), on the condition that Moby provides a statement to the market that it is in compliance with listing rule 3.1 at the time that Enegex is admitted to the Official List.

By way of explanation, Listing Rule 3.1 requires that where an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information. Effectively, Moby must advise the market that it is fully compliant with that Listing Rule so that shareholders and investors are fully informed.

- (f) Granted a waiver from listing rule 1.1 condition 3 to permit Enegex not to comply with paragraph 110 of Appendix 1A to the extent necessary to permit the information memorandum not to state the date on which it was signed.
- (g) Granted a waiver from listing rule 1.1 condition 3 to permit Enegex not to comply with paragraph 116 of Appendix 1A to the extent necessary to permit the information memorandum not to include the statement that Enegex will not need to raise capital in the three months after the date of issue of the information memorandum.

By way of explanation, normally a company will not be permitted to gain admission to the Official List on the basis of an information memorandum unless it establishes that it has not raised capital in the past 3 months and does not expect it will need to raise capital in the next 3 months. EnegeX will, technically, have raised capital when it receives the Subscription Moneys. This waiver would modify the basic rule so that receipt of the Subscription Moneys does not disqualify EnegeX from using an information memorandum as its basis for listing.

- (h) Granted a waiver from listing rule 1.1 condition 3 to permit EnegeX not to comply with paragraph 117 of Appendix 1A to the extent necessary to permit the information memorandum not to include the statement that a supplementary information memorandum will be issued if EnegeX becomes aware of certain matters occurring between the issue of the information memorandum and the date EnegeX's securities are quoted on ASX, on condition that any such matters are announced to the market by Moby.

Again, this ensures a fully informed market at the time EnegeX is admitted to the Official List. Notwithstanding this, it is expected that EnegeX will make some pre-listing disclosure to ensure the market is fully informed.

- (i) Granted a waiver from listing rule 1.1 condition 7 to the extent necessary to permit EnegeX to be admitted to the Official List of ASX without complying with the spread requirements of that rule, on the condition that Moby satisfies listing rule 12.4 at the time EnegeX applies for admission to the official list.

By way of explanation, Listing Rule 1.1 condition 7 would normally require that EnegeX complied with ASX spread requirements which mean that it would need to have at least 400 holders each having a parcel of ordinary shares with a value of at least \$2,000. EnegeX will not comply with this requirement and provided Moby complies with Listing Rule 12.4 as stated this will non-compliance will be disregarded.

Listing Rule 12.4 requires that an entity must maintain a spread of security holdings in its main class which, in ASX's opinion, is sufficient to ensure that there is an orderly and liquid market in its securities. As Moby has 44.27% of its shares held by the Non-Associated Shareholders and in excess of 1,500 shareholders, it is expected that Moby will continue to comply with Listing Rule 12.4 and, on EnegeX becoming listed, EnegeX will have essentially the same number of shareholders.

- (j) Granted a waiver from listing rule 1.1, condition 8, to the extent necessary to permit EnegeX not to comply with listing rules 1.2 or 1.3 on the basis that, at the time of admission of EnegeX to the Official List, Moby satisfied listing rules 12.1 and 12.2.

By way of explanation, Listing Rule 1.1 condition 8 would normally require that EnegeX meet either the "*profits test*" or the "*assets test*" and the other associated requirements of those tests. The profits test requires that the entity's aggregated profit from continuing operations for the last 3 full financial years must have been at least \$1 million. The assets test requires that, at the time of admission, the entity has net tangible assets of at least \$2,000,000 after deducting the costs of fund raising, or a market capitalisation of at least \$10 million and that, if half or more of the entity's total tangible assets (after raising any funds) are cash or in a form readily convertible to cash, the entity must have commitments consistent with its business objectives to spend at least half of its cash and assets which are readily convertible to cash. Further the entity must have at least \$1,500,000 in working capital.

- (k) Granted a waiver from the requirement to comply with listing rule 2.1 condition 2 to the extent necessary to permit EnegeX's ordinary securities not to have a price or value of at least \$0.20 (20 cents) each.
- (l) Granted a waiver from the requirement to comply with listing rule 1.1 condition 11 to permit EnegeX to have options on issue on admission with exercise prices of less than \$0.20 each.

The EnegeX Options have an exercise price of \$0.10 (10 cents) each.

## SECTION 15

### INDEPENDENT ACCOUNTANTS REPORT

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The Board of Directors  
EnegeX N.L.  
Level 21  
500 Collins Street  
Melbourne, VIC, 3000

13 August 2013

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

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Dear Sirs

### INVESTIGATING ACCOUNTANT'S REPORT ON REVIEWED HISTORICAL FINANCIAL INFORMATION

#### Introduction

Grant Thornton Audit Pty Ltd ("Grant Thornton") has been engaged by EnegeX N.L. ("EnegeX" or "the Company") to prepare an Investigating Accountant's Report ("the Report") for inclusion in an Information Memorandum ("the Information Memorandum") in support of the admission of EnegeX to the official list of the ASX.

Expressions referred to in the Information Memorandum have the same meaning in this report.  
Financial information

Grant Thornton has been requested to prepare a report covering the historical Statement of Financial Position (referred to as "the historical financial information") and the pro forma Statement of Financial Position ("pro forma financial information") as described below and disclosed in the Financial Information Section 5 of this Information Memorandum.

This report has been prepared for inclusion in the Information Memorandum. We disclaim any assumption of responsibility for any reliance on this Report or on the historical and pro forma financial information to which it relates for any purposes other than the purpose for which it was prepared.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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## **Historical financial information**

The historical financial information of the Company comprises the Statement of Financial Position as at 30 June 2013 and the accompanying notes, as set out in Table 1 of Financial Information Section 5 of the Information Memorandum. The historical financial information for the period from incorporation to 30 June 2013 has been extracted from the reviewed financial statements of the Company.

## **Pro forma financial information**

The pro forma historical financial information of the Company comprises a Pro Forma Statement of Financial Position as at 30 June 2013, which assumes the pro forma transactions as set out in the notes to the Pro Forma Statement of Financial Position set out in clause 22 in Section 5 of this Information Memorandum had occurred on 30 June 2013.

The Directors of the Company are responsible for the preparation and presentation of the historical and pro forma financial information, including the determination of the pro forma adjustments, which have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia ("AGAAP"), which ensure compliance with International Financial Reporting Standards ("IFRS").

The historical and pro forma financial information included in this Information Memorandum is presented in an abbreviated form in so far as it does not include all the disclosures required under AGAAP applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

## **Scope**

### **Review of the pro forma financial information**

We have reviewed the pro forma financial information in order to report whether anything has come to our attention which causes us to believe that the pro forma financial information of the Company as at 30 June 2013 is not presented fairly, on the basis of the pro forma transactions and adjustments described in Financial Information Section 5 of the Information Memorandum, in accordance with the recognition and measurement principles prescribed by AGAAP and in accordance with the accounting policies adopted by the Company and disclosed in clause 22 of this Financial Information Section 5 of the Information Memorandum.

We have conducted our review of the historical financial information in accordance with ASRE 2405 "Review of Historical Information Other than a Financial Report". We have made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a review of work papers, accounting records, other documents and reports;
- a review of the pro forma transactions and adjustments used as the basis for the pro forma financial information;

- a comparison of consistency in application of the recognition and measurement principles of AGAAP, and the accounting policies adopted by the Company; and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Subsequent events**

Apart from the matters dealt with in this report and having regard to the scope of our review, to the best of our knowledge and belief, no additional material transactions or events outside the ordinary business of the Company have come to our attention that require comment on or adjustment to the information referred to in our report or that would cause such information to be misleading or deceptive.

### **Conclusion**

#### **Review of the pro forma financial information**

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma financial information of the Company as at 30 June 2013 is not presented fairly, on the basis of the pro forma transactions and adjustments described in Financial Information Section 5 of the Information Memorandum, in accordance with the recognition and measurement principles prescribed in AGAAP and in accordance with the accounting policies adopted by the Company.

### **Independence**

Grant Thornton does not have any interest in the outcome of the Offer other than in connection with the preparation of this report, participation in limited due diligence procedures and acting as statutory auditor for the Company, for which normal professional fees will be received.

### **Liability**

Grant Thornton has consented to the inclusion of this Report in the Information Memorandum and to the reference to this Report in the Information Memorandum, in the form and context in which they are included.

## **GRANT THORNTON AUDIT PTY LTD**

Chartered Accountants

**Adrian Nathanielsz**

**Partner – Audit & Assurance**

## SECTION 16

### ADDITIONAL MATTERS

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#### 55. EMPLOYEE SHARE SCHEMES AND EMPLOYEE INCENTIVE SCHEMES

Eneget does not have any Employee Share Scheme or Employee Incentive Scheme in place, nor are any such schemes presently contemplated.

#### 56. DIVIDEND AND DISTRIBUTION PLANS

Eneget does not have any Dividend and distribution plans in place, nor are any such plans presently contemplated.

#### 57. LITIGATION

Eneget is not currently involved in any litigation.

#### 58. CONSENTS

**Grant Thornton Audit Pty Ltd (“Grant Thornton”)** has given and not withdrawn its written consent to be named herein as the auditor of the Company in the form and context in which it is so named. In addition, Grant Thornton has given and not withdrawn its written consent to the despatch of this Information Memorandum with references to its audit report in relation to the Financial Statements of Eneget for the year ended 30 June 2013 as contained herein being included, either expressly or by inference, in the form and context in which such audit report and all references to such audit report are so included.

Save as set out herein in relation to its auditing functions and in relation to its Independent Accountant's Report contained herein and referred to below, Grant Thornton has had no involvement in the preparation of this Information Memorandum other than the inclusion of its report and such references thereto and it has not given any professional or other advice in respect of any other part of this Information Memorandum. Grant Thornton does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this Information Memorandum.

**Grant Thornton Audit Pty Ltd (“Grant Thornton”)** has also given and not withdrawn its written consent to be named herein as Independent Accountant in the form and context in which it is so named. In addition, Grant Thornton has given and not withdrawn its written consent to the despatch of this Information Memorandum with its Independent Accountant's Report being included herein in the form and context in which it is included and to all references thereto being included, either expressly or by inference, in the form and context in which such report and all references to such report are included..

Save as set out herein in relation to its auditing functions and being named as auditor herein and in relation to the preparation and inclusion of its Independent Accountant's Report, Grant Thornton has had no involvement in the preparation of this Information Memorandum other than the inclusion of such report and such references thereto and it has not given any professional or other advice in respect of any other part of this Information Memorandum. Grant Thornton does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this Information Memorandum.

**Menzies & Partners**, Solicitors, has given and not withdrawn its written consent to be named in this Information Memorandum in the form and context in which it is so named. In addition Menzies & Partners has prepared the schedule of tenements contained herein and has given and not withdrawn its written consent to the despatch of this Information Memorandum with that schedule of tenements and the notes thereto being included herein in the form and context in which it is included and to all references thereto being included, either expressly or by inference, in the form and context in which they are included.

**Link Market Services Limited** have given and not withdrawn its written consent to be named herein as the Share Registry to the Company in the form and context in which it is so named. In addition, Link Market Services Limited has given and not withdrawn its written consent to the despatch of this

Information Memorandum with such references to it being included herein in the form and context in which they are included, either expressly or by inference.

Link Market Services Limited has had no involvement in the preparation of this Information Memorandum and has not given any professional or other advice in respect of any part of this Information Memorandum. Link Market Services Limited does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Information Memorandum.

**Dr Simon Sturrock B.Sc. (Hons), Ph.D** has given and not withdrawn his written consents to be named in this Information Memorandum as Consultant Geophysicist / Exploration Manager to the Company in the form and context in which he is so named and to the inclusion of statements as to his qualifications, experience and background being included in clause 18 of this Information Memorandum in the form and context in which they are included this Information Memorandum and Dr Sturrock has not given any professional or other advice in respect of any other part of this Information Memorandum. Dr Sturrock does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this Information Memorandum

**Mr Tim Morrison B.Sc.** has given and not withdrawn his written consent to the despatch of this Information Memorandum with the estimates of In-Place and Contingent Oil resources for Cornea Central and South Fields contained in table 4 in clause 27 and the In-Place and contingent Gas Resources for Cornea Central, South and Tear fields contained in table 5 in clause 27 all being included herein in the form and context in which they are included herein and to references to those tables and the information contained therein all being included herein in the form and context in which they are included. It is recorded that Mr Morrison was the Competent Person who, as a Qualified Petroleum Reserves and Resources Evaluator, prepared the said data for release to ASX by each of Moby Oil & Gas limited and Octanex N L at the time of its release to ASX.

In addition, Mr Morrison consents to be named in this Information Memorandum as a consultant to the Company in the form and context in which he is so named and to the inclusion of statements as to his qualifications, experience and background being included in this Information Memorandum in the form and context in which they are included this Information Memorandum.

Mr Morrison has had no involvement in the preparation of this Information Memorandum other than:

- the inclusion of those tables 4 and 5 in clause 27 and the information therein and such references thereto;
- details of his qualifications and experience being included in clause 18 of this Information Memorandum in the form and context in which they are included this Information Memorandum;

and Mr Morrison has not given any professional or other advice in respect of any other part of this Information Memorandum. Mr Morrison does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this Information Memorandum.

**Mr Robert J Wright B. Bus, CPA** has given and not withdrawn his written consent to be named this Information Memorandum as Chief Financial Officer of the Company in the form and context in which he is so named and to the inclusion of statements as to his qualifications, experience and background being included in this Information Memorandum in the form and context in which they are included this Information Memorandum.

## **59. INTERESTS OF DIRECTORS, ADVISERS AND NAMED PERSONS**

Except as otherwise set out herein, no Director, expert or professional adviser named herein now has, or during the last two years has had, any interest in the promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer. Further, no sums have been paid or agreed to be paid to a Director, expert or professional adviser in cash or shares or otherwise by any person (in the case of a Director) either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company or the Offer or (in the case of an expert or professional adviser) for services rendered by the expert or professional adviser in connection with the promotion or formation of the Company or the Offer save and except that:

- (a) in accordance with the terms of their engagement, Grant Thornton Audit Pty Ltd has prepared its Independent Accountant's Report as contained herein and which forms part of this Information Memorandum. In aggregate, it has been or will be paid professional fees of \$4,000 plus GST by the Company in relation to the preparation of that report.
- (b) Grant Thornton Audit Pty Ltd is auditor of the Company and has received payment of professional fees of \$1,000 for the audit for the financial year ended 30 June 2013.
- (c) in accordance with the terms of its engagement, Mr Menzies, a director of the Company and the principal of Menzies & Partners, the Company's solicitor, prepared the schedule of tenement interests contained herein and has been or will be paid professional fees at normal commercial rates in relation to the preparation of that tenement schedule and will be paid fees at normal commercial rates relating to work carried out by him in relation to the acquisition of the Permits and associated title matters and for the preparation of this Information Memorandum and the application by EnegeX for admission of EnegeX to the Official List of ASX. The quantum of such fees is not expected to exceed \$40,000 plus GST.

All such payments referred to above have been paid or are payable in cash.

#### **60. DIRECTORS RESPONSIBILITY STATEMENT**

The Directors of the Company report that they state that they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Information Memorandum are true and not misleading or deceptive, and that with respect to any other statements made in this Information Memorandum by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements. Each Director of the Company consents to the issue of this Information Memorandum and has not withdrawn that consent prior to this Information Memorandum being issued.

This Information Memorandum is prepared on the basis that:

- in relation to prospective investors who may read this Information Memorandum, certain matters may be reasonably expected to be known to professional advisers of the kind with whom prospective investors may reasonably be expected to consult; and
- information is known to prospective investors or their professional advisers by virtue of any Acts or laws of any State or Territory of Australia or the Commonwealth of Australia.

This Information Memorandum is dated 28 August 2013.

**Executed on behalf of EnegeX N L by being signed each of its Directors**

  
Graeme Alan Menzies (Chairman)

  
Robert John Coppin (Non-Executive Director)

  
Brett Dean Maltz (Non-Executive Director)

## SECTION 17

### INTERPRETATION

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#### 61. DEFINITIONS

In this Information Memorandum, unless the context otherwise requires:

**"ASIC"** or **"Commission"** means the Australian Securities and Investments Commission or, in respect of any particular function or power given to the Commission under the Corporations Act, any person to whom the Commission has delegated that function or power;

**"AASB"** means the Australian Accounting Standards Board.

**"AIFRS"** means the Australian equivalents to International Financial Reporting Standards.

**"Apache"** means Apache Northwest Pty Ltd (ABN 58 009 140 854).

**"Apache Farmin"** means the farmin by Apache into WA-409-P under the Apache Farmin Agreement.

**"Apache Farmin Agreement"** means the farmin agreement made 20 October 2010 and entered into in relation to WA-409-P between the Company, Cue Energy Resources Limited (ABN 45 066 383 971), Cue Petroleum Pty Ltd (ACN 004 431 850), Rankin Trend Pty Ltd (ABN 73 135 761 321) and Apache Northwest Pty Ltd (ABN 58 009 140 854) together with the relevant deed of assumption and transfer executed, or to be executed by the holders of WA-409-P and Apache in accordance with the Petroleum Act and the regulations made thereunder.

**"Associate"** has the meaning given in the Corporations Act and a reference to an Associate of any person means a reference to the associates of that person within the meaning of the Act.

**"ASTC"** means ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532, the body which administers the CHESS system in Australia.

**"ASTC Settlement Rules"** means the settlement rules of ASTC.

**"ASX"** means ASX Limited ABN 98 008 624 691 or the securities exchange operated by it, as appropriate.

**"ASX Market Rules"** means the ASX Market Rules binding on Market Participants as defined therein in accordance with the provisions of the Corporations Act as in force from time to time and a reference to ASX Market Rules includes a reference to any rules issued by ASX in substitution or replacement thereof from time to time howsoever styled. Where a company is listed on any Stock Exchange other than ASX a reference herein to ASX Market Rules shall mean a reference to the rules of such Stock Exchange which regulate trading in the securities of that company on that Stock Exchange.

**"Australian Accounting Standards"** means the Australian Accounting Standards as issued by the Australian Accounting Standards Board.

**"Australian Auditing Standards"** means the Australian Auditing Standards as issued by the Auditing and Assurance Standards Board.

**"Australian Standards on Review Engagement"** means Australian Standards on Review Engagement as issued by the Auditing and Assurance Standards Board.

**"Board"** means a reference to the board of directors of EnegeX acting in that capacity.

**"Business Day"** means a Business Day as defined in the Listing Rules of ASX.

**"Business Rules"** means, in the case of ASX those rules promulgated as the Business Rules of ASX and, in relation to any other Stock Exchange means those rules pursuant to which trading in securities on or through the facilities of the Stock Market conducted by it is regulated by that Stock Exchange.

**"CGT"** means capital gains tax.

**"CHESS"** means the Clearing House Electronic Subregister System operated by ASTC, which provides for electronic share transfer in Australia.

**"Company"** or **"EnegeX"** each means EnegeX N L (ACN 160 818 986).

**"Corporations Act"** means the Corporations Act 2001 as it applies in Victoria.

**"Court"** means the Supreme Court of Victoria in relation to matters associated with the Scheme and otherwise means a court of competent jurisdiction under the Corporations Act.

**"Directors"** means a reference to the directors of EnegeX acting as a board of directors or otherwise acting in their role or capacity as a director of EnegeX and, unless otherwise indicated, a reference to a **"Director"** means a reference to a director of EnegeX acting in his capacity as a director of EnegeX;

**"Effective Date"** means the 24 June 2013 being the date on which an office copy of an Order of the Court in relation to the Schemes made under section 411(6) of the Corporations Act was lodged with the Commission.

**"Encumbrance"** means any mortgage, charge (whether fixed or floating), pledge, lien, option, restriction as to transfer or any other encumbrance or security or adverse interest whatsoever.

**"End Date"** means the date specified in, or determined pursuant to, clause 4.5 of the Scheme.

**"Explanatory Statement"** means the draft Explanatory Statement ordered by the Court as the Explanatory Statement to accompany the Scheme pursuant to the provisions of section 412 of the Corporations Act.

**"Farmin"** means the farmin or arrangement by which EnegeX earns a Participating Interest in a Permit and the Relevant JVOA by meeting all future work commitments and obligations under the terms of the Permit and the Relevant JVOA with effect from the Effective Date in accordance with the terms and conditions of the Farmin Agreement and a reference to **"Farmins"** is a collective reference to all of such Farmins.

**"Farmin Agreement"** means an agreement between, inter alia, Moby and EnegeX in the form to be tabled at each of the Scheme Meetings and signed by the Chairman of each such meeting for the purpose of identification, pursuant to which EnegeX enters into a Farmin pursuant to which EnegeX earns or agrees to earn a Participating Interest in a Permit and an associated Relevant JVOA on the terms and conditions described in this Information Memorandum by meeting all future work commitments and obligations under the terms of the Permit and the Relevant JVOA with effect from the Effective Date and a reference to **"Farmin Agreements"** is a collective reference to all of such Farmin Agreements.

**"Government Agency"** means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in the right of the Commonwealth of Australia or of any State, including the Australian Consumer & Competition Commission, the Takeovers Panel and ASX.

**"Group"** when used in relation to a company, means that company and each company that is a related body corporate of that company or which is a related body of any related body corporate of that company.

**"GST"** has the meaning given to that term in *A New Tax System (Goods and Services Tax) Act 1999* (Cwth).

**"issue"** means, in relation to a share, the issue and allotment thereof, and, in relation to an option to acquire an ordinary share, means the grant of such option.

**"Joint Authority"** means the Joint Authority under the Petroleum Act.

**“Joint Venture”** or **“Joint Venturers”** each means the joint owners of a Permit who carry out the exploration activity in that Permit.

**“Joint Venture Operating Agreement”** or **“JVOA”** each means a formal agreement which governs the activities of a Joint Venture.

**“Enegetex”** means Enegetex N L (ACN 160 818 986);

**“Enegetex Shares”** means ordinary shares in the capital of Enegetex each credited as fully paid up;

**“Enegetex Options”** means options to acquire ordinary shares in the capital of Enegetex on the terms and conditions set out in clause 48 above;

**“Listing Rules”** means, in relation to ASX, the Listing Rules of ASX as in force from time to time.

**“Market Participant”** means a Market Participant as defined in Section 3 of the ASX Market Rules including any person taken to be approved by ASX as a Market Participant under Rule 29.3 of the ASX Market Rules and where a company is admitted to the official list of an overseas Stock Exchange then any Stockbrokers or Sharebroker or other such person as authorised to deal in securities of that company pursuant to the rules of that Stock Exchange governing trading in or through the facilities of that market.

**“Moby”** means Moby Oil & Gas Limited (ABN 17 106 653 794).

**“Officers”** means, in relation to a company, its directors, company secretaries and other persons designated as officers under the Corporations Act.

**“Option Register”** means the register of optionholders of Enegetex kept in accordance with the Corporations Act;

**“Option Scheme”** means a reference to the scheme of arrangement entered into between Moby and its optionholders in Matter Number SCI 2013 00805 in the Supreme Court of Victoria.

**“Permit”** means an Exploration Permit issued by the Designated Authority within which the relevant Permit Holders or Joint Venture carries out exploration activity.

**“Permit Holders”** means those persons registered under the Petroleum Act.

**“person”** includes the Crown, and all bodies or persons corporate or unincorporate.

**“Petroleum Act”** means the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cwth)* (formerly the Petroleum (Submerged Lands) Act 1967 (Cwth)) and all subordinate legislation made thereunder.

**“Petroleum Legislation”** means the Petroleum Act and, when the context permits or otherwise requires, includes (but is not limited to) the following Commonwealth Acts: *Offshore Petroleum and Greenhouse Gas Storage (Registration Fees) Act 2006 (Cwth)*, *Offshore Petroleum and Greenhouse Gas Storage (Annual Fees) Act 2006 (Cwth)*, *Offshore Petroleum (Repeals and Consequential Amendments) Act 2006 (Cwth)*, *Offshore Petroleum (Royalty) Act 2006 (Cwth)*, *Petroleum Resource Rent Tax Assessment Act 1987 (Cwth)* all as amended from time to time together with any legislation passed in replacement or substitution therefore, whether in whole or in part.

**“Registered Address”** means in relation to a Scheme Member, that member’s address shown in the Share Register.

**“Regulations”** means the Corporations Regulations in force under the Corporations Act from time to time.

**“Regulatory Approval”** means:



- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, approval, direction, declaration, authority or exemption from, by or with a Public Authority; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Public Authority intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

**“Related Body Corporate”** has the meaning given to that term in the Corporations Act.

**“Related Party”** has the meaning given to that term in the Corporations Act.

**“Relevant Interest”** has the meaning given to that term in the Corporations Act.

**“Scheme”** means a reference to either the Share Scheme or the Option Scheme depending on the context in which the term is used and a reference to the **“Schemes”** means a reference to each of the Share Scheme and the option Scheme.

**“Share Register”** means the register of members of Enegetex kept in accordance with the Corporations Act

**“Share Registry”** means Link Market Service Limited or other person from time to time maintaining the Share Register.

**“Share Scheme”** means a reference to the scheme of arrangement entered into between Moby and its members in Matter Number SCI 2013 00805 in the Supreme Court of Victoria.

**“Shareholding”** means the holding of Shares of any member.

**“Stockbroker”** and **“Sharebroker”** each mean a person qualified and authorised to act as such under the rules of any Stock Exchange governing trading by members of any such Stock Exchange in any securities of any company or entity the securities of which are listed on such Stock Exchange.

**“Stock Market”** means the stock market conducted by any ASX.

**“Subscription Moneys”** means that amount which is equal to fifty-five per cent (55%) of the aggregate, on a consolidated basis, of Moby’s Current Assets comprising Cash and other receivables and Trade and other receivables less Moby’s Current Liabilities being Trade and other payables as at the Effective Date as determined in accordance with all applicable accounting principles applied in relation to the preparation of the Statement of Financial Position as contained in the Moby Annual Report consistently applied.

**“Tax”** means any tax, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding, which is assessed, levied, imposed or collected by any Government Agency and includes, but is not limited to any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of, any of the above.

**“Tax Act”** or **“ITAA 1997”** each means the Income Tax Assessment Act 1997 as amended from time to time.

**“Transaction Documents”** means the Implementation Agreement and any other agreement entered into between Enegetex and Moby for the purpose of giving effect to or implementing this Scheme;

## Interpretation

In this Information Memorandum, unless the context requires otherwise:

- (a) headings are for convenience only and do not affect interpretation and unless the context indicates a contrary intention:
- (b) a reference to any document (including this Information Memorandum) is to that document as varied, novated, ratified or replaced from time to time;

- (c) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (d) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (e) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a derivative or corresponding meaning;
- (f) the word "includes" in any form is not a word of limitation;
- (g) any reference to time is, unless the context otherwise requires, a reference to local time in Melbourne Australia on the relevant date;
- (h) a reference to "\$" or "dollar" is to Australian currency; and
- (i) a reference to:
  - (i) a person includes a firm, unincorporated association, corporation and a government or statutory body or authority;
  - (ii) a person includes the legal personal representatives, successors and assigns of that person;
  - (iii) a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
  - (iv) a right includes a benefit, remedy, direction or power;
  - (v) a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually;
  - (vi) time is to Melbourne time;
  - (vii) "\$A", "\$" or "AUD" is a reference to the lawful currency of Australia;
  - (viii) "US\$", "USD" is a reference to the lawful currency of the United States of America;
  - (ix) a clause, subclause, section, subsection, paragraph, subparagraph or annexure is to a clause, subclause, section, subsection, paragraph, subparagraph or annexure of this Information Memorandum.

## 62. GLOSSARY OF TECHNICAL AND INDUSTRY TERMS

In this Information Memorandum, the following terms have the following meanings unless the context requires otherwise.

**"2D seismic"** means seismic data collected on a two-dimensional basis.

**"3D seismic"** means seismic data collected on a three-dimensional basis.

**"accumulation"** means, in relation to any prospective resource or other hydrocarbon resource, *"An individual body of moveable petroleum"*.

**"anticlinal trap"** means a geological structure in which sealing stratum are formed by the upward bowing of that strata into a dome or arch.

**"anticline/anticlinal structure"** means a geological structure in which strata are folded so as to form an arch or dome.

**“appraisal well”** means a well drilled to determine the extent of hydrocarbons discovered in a previous well on the same structure.

**“B”** means billion ( $10^9$ ).

**“barrel”** or **“bbl”** means the unit of volume measurement used for petroleum and its products. 1 barrel = 42 U.S. Gallons = 35 Imperial Gallons (approx.) or 159 litres (approx).

**“basin”** means a depression of large size in which sediments have accumulated.

**“BCF”, “Bcf”** or **“Bscf”** each means billion cubic feet of gas = 28.317 million cubic metres.

**“bopd”** means barrels of oil per day.

**“Bpd”** means barrels per day.

**“calcareous”** means containing calcium carbonate.

**“carbonates”** means sedimentary rocks composed of calcium and/or magnesium carbonate e.g. limestone.

**“carboniferous”** means a time interval of the Paleozoic Era, extending from 360 to 290 million years ago.

**“closure”** means the volume above the lowest closing contour of a structure. Also, a closed structure and four means way dip closure.

**“CO<sup>2</sup>”** means carbon dioxide.

**“compressional anticline”** means an anticline formed usually as a result of crustal shortening.

**“compressive”** means movements resulting in a shortening of the earth’s surface, a squeeze.

**“Condensate”** means hydrocarbons (predominantly pentane and heavier compounds) which spontaneously separate out from natural gas at the wellhead and condense to a liquid.

**“Contingent Resources”** means those quantities of Petroleum which are estimated, on a given date, to be potentially recoverable from Known Accumulations but which are not currently considered to be commercially recoverable. See also Section 18 for more detailed information of *Reserves*, *Contingent Resources* and *Prospective Resources*.

**“Cornea”** means the Cornea oil and gas accumulation within WA-342-P.

**“Cornea-3 Well”** means the exploration well drilled within WA-342-P in December 2009.

**“Cretaceous”** means a geological time period approximately 141 to 65 million years ago.

**“CSG”** means Coal Seam Gas.

**“deltaic”** means normally related to a delta plain or alluvial deposit at the mouth of a river caused by deposition of material.

**“development well”** means a well drilled with the purpose of being completed for hydrocarbon production.

**“dip”** means the angle of the plane of a bed relative to the horizontal.

**“down-dip”** means downwards in-depth along strata.

**“dry hole”** means a well drilled without finding gas or oil in commercial quantities.

**“DST”** or **“drill stem test”** each means drill stem test, a method of testing the productive capacity of a well when still full of drilling mud. The testing tool is lowered into the hole attached to the drill pipe and

placed opposite the formation to be tested. Packers are set to shut off the weight of the mud and the tool is opened to permit the flow of any formation fluid into the pipe, where it can be measured.

**“exploration well”** means a well drilled to determine whether hydrocarbons are present in a particular structure.

**“fan”** means fan of sediment that has moved down a slope predominantly by the action of gravity assisted by running water that is not concentrated into channels forming a fan-like shape.

**“fault”** means a fracture in the Earth’s crust along which the rocks on one side are displaced relative to those on the other.

**“fault-dependent closure”** means closure which is dependent upon the bounding fault plane providing an impervious seal to vertical and lateral migration.

**“fault trap”** means a hydrocarbon trap which relies on the termination of a reservoir against a seal brought about by fault displacement.

**“FEED”** means front end engineering design.

**“field”** means a geographical area under which an oil or gas reservoir lies.

**“fluorescence”** means glowing, usually under ultraviolet light, usually indicative of oil shows.

**“Fm”** means formation.

**“fold/folding”** means a bend in strata, commonly a product of deformation.

**“formation”** means a unit in stratigraphy defining a succession of rocks of the same gross lithology.

**“four-way dip”** means a structural feature seen on orthogonal seismic lines to dip away in all four possible directions.

**“fracture”** means a breaking or splitting of rock, usually increasing permeability.

**“gas column”** means the occurrence of gas in pore space within rock that is in a continuous phase.

**“geology”** means the occurrence of gas in pore space within rock that is in a continuous phase.

**“geophysics”** means the physics of the Earth; a hybrid discipline involving a combination of physical and geological principles.

**“GIIP”** means gas initially in place.

**“glauconitic”** means sediments rich in Glauconite an Iron Silicate which is diagnostic of continental shelf marine depositional environments with slow rates of accumulation.

**“graticular block”** means a graticular block as defined in the Petroleum Act.

**“gravity surveys”** means surveys carried out using gravity instrumentation to detect differences in the gravity force at two or more points: used as a geophysical tool to detect possible mineral or hydrocarbon accumulations.

**“GWC”** means gas water contact.

**“Horst”** means a portion of the earth’s crust, bounded on at least two sides by faults, that has risen in relation to adjacent portions.

**“hydrocarbons”** means naturally occurring organic compounds containing only the elements hydrogen and carbon existing as solids, liquids or gases.

**“interest”** means, when describing an interest in a petroleum exploration Permit, an undivided Participating Interest in the Permit in accordance with, and subject to the relevant joint venture agreement which regulates the relationship of all persons having undivided interests in that Permit.

**“Jurassic”** means a geological time period approximately 205 to 141 million years ago.

**“km”** means kilometre(s).

**“kms<sup>2</sup>”** or **“sq km”** each means square kilometre.

**“Known Accumulation”** means a known individual body of moveable Petroleum. The key requirement to consider an accumulation as known, and hence contain Reserves or Contingent Resources, is that each accumulation/reservoir must have been penetrated by a well. In general, the well must have clearly demonstrated the existence of moveable petroleum in that reservoir by flow to surface or at least some recovery of a sample of petroleum from the well. However, where log and/or core data exist, this may suffice, provided there is a good analogy to a nearby and geologically comparable known accumulation.

**“lead”** means inferred geologic feature or structural pattern requiring further investigation.

**“LNG”** means liquefied natural gas.

**“log interpretation”** means technical analysis of the results of well logging leading to quantitative estimates of various rock properties including contained liquids and gasses.

**“Lowstand”** means a time of lowered sea level, related to a transgression.

**“m”** means metre(s) in the relevant context.

**“M”** or **“m”** means thousand in the relevant context.

**“Magnetic Resonance tool”** means a tool used to analyse hydrocarbons in glauconitic and argillaceous reservoirs.

**“MDRT”** means measured depth below rotary table.

**“MDT tool”** means a modular formation pressure tester tool.

**“migration”** means the movement of hydrocarbons from regions of higher to lower pressure.

**“mKB”** means metres below the Kelly bush or Kelly joint from which the depth of a well is determined. The Kelly bush or Kelly joint is the point on a drilling rig passing through the rotary table which transmits the rotary motion to the drill pipe.

**“MM”** or **“mm”** means million.

**“MMbbl”** means a million standard barrels of oil (or condensate).

**“MMCFD”** means million of cubic feet per day = 28,317 cubic metres per day.

**“mRT”** means metres below rotary table.

**“net pay”** means the subsurface geological layer where a deposit of oil or gas is found in potentially commercial quantities.

**“oil column”** means the occurrence of oil in pore space within rock that is in continuous phase.

**“oil field”** means a geographical area in which an oil reservoir lies.

**“Oil in Place”** or **“OIP”** each means an estimated measure of the total amount of oil contained in a reservoir and, as such, a higher figure than recoverable oil.

**“OOIP”** means original oil in place.

**“Operator”** means the party in the Joint Venture or the sole interest holder in the Permit charged with carrying out the exploration activities within that Permit.

**“Palaeocene”** means the oldest period of geological time in the Tertiary period.

**“Paleozoic”** means the geological time period approximately 600 to 230 million years ago.

**“permeability”** means a measure of the capacity of rock or stratum to allow water or other fluids such as oil to pass through it.

**“Permian”** means a geological time period approximately 298 to 251 million years ago.

**“Permit”** means an exploration Permit for Petroleum: issued under the Petroleum Legislation as referred to herein, and in respect of each such Permit, includes any tenement or Permit of any kind issued pursuant thereto, on renewal thereof or in substitution or replacement thereof and whether in whole or in part.

**“Petroleum”** has the meaning given to it under the relevant Petroleum Act.

**“porosity”** means the ratio of the volume of pore space in rock expressed as a percentage to its total volume.

**“prospect”** means a feature thought to be sufficiently defined to warrant the drilling of a well without the necessity of further investigation.

**“Prospective Resources”** means those quantities of Petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. See also Section 18 for more detailed information of *Reserves*, *Contingent Resources* and *Prospective Resources*.

**“recoverable gas”** means an estimated measure of the total amount of gas which could be brought to the surface from a given reservoir; this is usually in the order of 60% - 70% of the estimated gas in place.

**“recoverable oil”** means an estimated measure of the total amount of oil which could be brought to the surface from a given reservoir; this is usually less than 50% of the estimated oil in place and commonly in the 20% to 40% range.

**“Reserves”** or **“reserves”** means those quantities of hydrocarbons which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. Reserves are categorised into two principal classifications, proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. See also Section 18 for more detailed information of *Reserves*, *Contingent Resources* and *Prospective Resources*.

**“reservoir”** means pervious and porous rocks (usually sandstone, limestone or dolomite) capable of containing significant quantities of hydrocarbons.

**“residual oil”** means that oil remaining in a structure after the then oil in place has migrated out of the structure: of no commercial value.

**“RFT”** means repeat formation tester.

**“risk”** means an expression of certainty or uncertainty often relating to the presence of principal geological factors controlling oil accumulations.

**“sandstone”** means a sedimentary rock composed predominantly of sand sized grains, usually quartz.

**“seal”** means an impermeable rock (usually claystone or shale) that prevents the passage or further migration of hydrocarbons.

**“sediment”** means solid material, whether mineral or organic, that has been moved from its position of origin and redeposited.

**“sedimentary rock”** means a rock formed as a result of the consolidation of sediments.

**“seismic survey”** means a technique for determining the detailed structure of the rocks underlying a particular area by passing acoustic shock waves into the strata and detecting and measuring the reflected signals.

**“shale”** means a claystone exhibiting a finely laminated structure.

**“show”** means an indication of oil or gas from an exploratory well.

**“source rocks”** means rocks (usually shales, claystone or coal) that have generated or are in the process of generating significant quantities of hydrocarbons.

**“spill point”** means the lowest closing contour in a trap below which hydrocarbons are no longer retained.

**“spud”** means commence the drilling of a well.

**“ST”** means side means track well.

**“stratigraphy”** means the study of stratified rocks, especially their age, correlation and character.

**“structural trap”** means a trap formed as a result of folding, faulting or a combination of both.

**“structure”** means deformed sedimentary rocks where the configuration is such as to form a trap for migrating hydrocarbons.

**“Sw”** means hydrocarbon saturation.

**“T”** means trillion ( $10^{12}$ ).

**“TCF”** or **“Tcf”** means trillion cubic feet (of gas).

**“TD”** means total depth.

**“tenement”** means is any form of Permit or licence that can be issued by the Joint Authority with a view to the holder(s) of that tenement carrying out exploration activity.

**“trap”** means a body of reservoir rock , vertically or laterally sealed, the attitude of which allows it to retain hydrocarbons that have migrated into it.

**“trend”** means a strike direction of a geological feature.

**“Triassic”** means a geological time period approximately 251 to 205 million years ago.

**“TWT”** means two way time.

**“unconformity”** means lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation brought about by non-deposition or by erosion.

**“up-dip”** means the direction leading most directly to higher elevations on a inclined stratum or structure.

**“uplift”** means elevation of any extensive part of the Earth’s surface relative to some other part.

**“water-washed oil”** means oil altered by formation water flowing past an oil accumulation.

**“well-log”** or **“log”** means a recording of rock properties obtained by lowering various instruments down a drilled well.

## SECTION 18

### PETROLEUM RESOURCE CLASSIFICATIONS

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Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust.

Resource assessments estimate total quantities in known and yet-to-be discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects.

Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulphide and sulphur. In rare cases, non-hydrocarbon content could be greater than 50%.

International efforts to standardize the definitions of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), the Society of Petroleum Engineers (SPE) published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide.

Since that time those organisations, working together, have upgraded and developed their methodologies for calculation and assessment of petroleum reserves and resources and that work is encompassed in the “*SPE Petroleum Management Resource System (PRMS)*” as defined in this document.

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation.

The definitions and guidelines in the “*SPE PRMS*” are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources

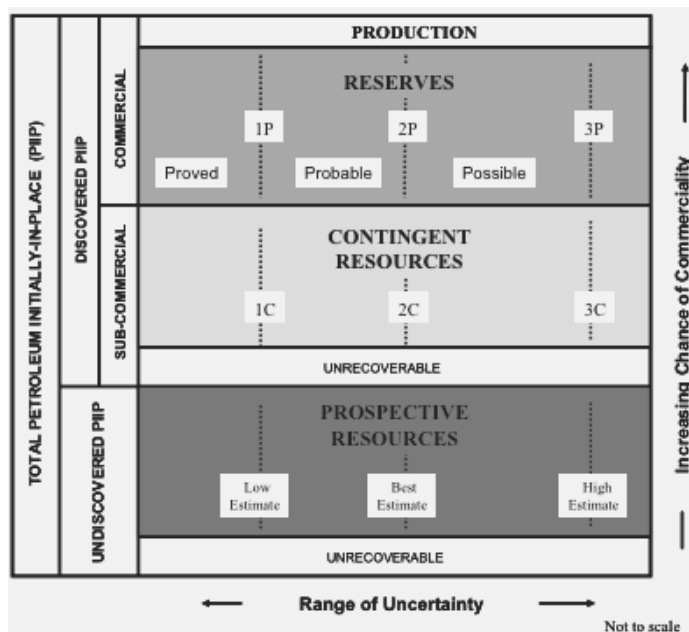
The estimation of petroleum resource quantities involves the interpretation of volumes and values that have an inherent degree of uncertainty. These quantities are associated with development projects at various stages of design and implementation.

The term “*resources*” as used in the SPE PRMS is stated therein by SPE to encompass all quantities of petroleum naturally occurring on or within the Earth's crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered “*conventional*” or “*unconventional*”.

The Figure below is a graphical representation of the SPE resources classification system. The PRMS defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.

The “*Range of Uncertainty*” reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the “*Chance of Commerciality*”, that is, the chance that the project will be developed and reach commercial producing status.





**SPE Resources Classification System**

## NATURE OF RESERVES AND RESOURCES

### Reserves

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.

Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame.

A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

The following summarizes the definitions for each Reserves category in terms of both the deterministic incremental approach and scenario approach and also provides the probability criteria if probabilistic methods are applied.

- Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are

used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

- Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
- Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

### **Contingent Resources**

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. A known accumulation is a known individual body of moveable Petroleum. The key requirement to consider an accumulation as known, and hence contain reserves or contingent resources, is that each accumulation/reservoir must have been penetrated by a well. In general, the well must have clearly demonstrated the existence of moveable petroleum in that reservoir by flow to surface or at least some recovery of a sample of petroleum from the well. However, where log and/or core data exist, this may suffice, provided there is a good analogy to a nearby and geologically comparable known accumulation.

### **Prospective Resources**

“Prospective Resources” are “those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.”

Estimates of resources or reserves of any category rely on the integrity, skill, and judgment of the evaluator and are affected by the geological complexity, stage of exploration or development and amount of available data from which they are derived.

Any estimate of a resource is ultimately a matter of opinion and is subject to an inherent level of uncertainty and in the case of Prospective Resources, it should be recognised that, whilst PRMS provide for assessment on the basis of “Low Estimate”, “Best Estimate” and “High Estimate” there must always be the prospect that, as the definition refers to “undiscovered accumulations”, the “accumulation” might not exist, with the result that no actual resources are discovered.

Prospective Resources represent a higher risk than Contingent Resources since the risk of discovery is also added. For Prospective Resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared.

The PRMS state that the term “Best Estimate” is considered the most realistic assessment of recoverable quantities. If probabilistic methods are used, this term would generally be a measure of central tendency of the uncertainty distribution (most likely, median, P50 or mean).

### **P90, P50, P10**

P10, P50 and P90 are probabilistic assessments. Where a reference to reserves is referred to as P90 there should be at least a 90% probability (P90) that the quantities actually recovered will

equal or exceed the low estimate. Likewise a reference to P50 reflects an assessment that there is at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate. Finally a reference to P10 reflects an assessment that there is at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

For example, if a geologist estimates that there is a 90% chance that a particular field contains 100 million barrels but only a 10% chance that it will yield 500 million barrels, then the lower figure should be cited as the P90 estimate and the higher as the P10. The “best” choice of estimate to use is P50 as a 50% estimate is just as likely to be higher than lower than the estimate.

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