

ELIXIR PETROLEUM LIMITED

ACN 108 230 995

PROSPECTUS

For the offer of up to 160,000,000 Shares at an issue price of \$0.005 each together with a total of up to 80,000,000 New Options, being one free attaching New Option for every two Shares subscribed for pursuant to the SPP Offer

For the offer of up to 220,000,000 New Options to participants in the Placement

Completion of the Offer is conditional on Shareholder approval of the SPP Offer and the Placement being obtained at the Company's general meeting being held at 10am on 1 September 2014.

THIS OFFER CLOSES AT 5.00PM WST ON 29 August 2014.

VALID APPLICATIONS MUST BE RECEIVED BEFORE THAT TIME.

Please read the instructions in this Prospectus and on the accompanying Application Form prior to applying for Securities under the Offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

THE SECURITIES OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.

CORPORATE DIRECTORY

Directors and Proposed Director
Mr Samuel Willis (Non Exec. Chairman)
Mr Dougal Ferguson (Chief Executive Officer and Managing Director elect)
Mr Mark O'Clery (Non Exec. Director)
Mr Michael Price (Non Exec. Director)
Company Secretary
Mr Nicholas Ong
Registered and Corporate Office
Level 2, 7 Ventnor Avenue West Perth WA 6005 Australia
Telephone: (08) 9226 2111
Share Registry
Security Transfer Registrars 770 Canning Highway, Applecross WA 6153, Australia
Telephone: (08) 9315 2333 International: +618 9315 2333 Facsimile: (08) 9315 2233
Stock Exchange Listing
Australian Securities Exchange ASX Code for Shares: EXR
Lead Manager and Broker
Hartleys Limited Level 6, 141 St Georges Terrace, Perth WA 6000, Australia
Solicitors to the Company
GTP Legal Level 1, 28 Ord Street, West Perth WA 6005, Australia

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IMPORTANT NOTICES

This Prospectus is dated 4 August 2014 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus, being the expiry date of this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 2, 7 Ventnor Avenue, West Perth WA 6005, Australia, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 5.7).

The Company will apply to ASX within seven days of the date of this Prospectus for Official Quotation by ASX of the Shares offered by this Prospectus.

The Securities offered by this Prospectus should be considered speculative. Please refer to Section 3 for details relating to investment risks.

Applications for Securities pursuant to the SPP Offer can only be made on an original Application Form sent with this Prospectus. The Application Form sets out the parcels of Securities that an Eligible Shareholder is entitled to apply for under the SPP Offer.

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

No action has been taken to permit the offer of Securities under this Prospectus in any jurisdiction other than Australia or New Zealand.

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

PROPOSED TIMETABLE

Record Date	24 July 2014
Lodgement of Prospectus with ASIC and ASX	4 August 2014
Prospectus and Application Form sent to Eligible Shareholders and Proposed Placement Participants	6 August 2014
Opening Date	6 August 2014
Closing Date*	29 August 2014
Anticipated date for the issue of the Securities pursuant to the Offer and announcement of take up and any scale back under the SPP Offer**	5 September 2014
Anticipated date on which holding statements are sent to Shareholders**	8 September 2014

* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the Securities.

** Indicative date only.

1. Details of the Offer

1.1 The Offer

The Company is making offers pursuant to this Prospectus of:

- (a) Up to 160,000,000 Shares and 80,000,000 New Options to Eligible Shareholders, up to a maximum value of \$15,000.00 per Eligible Shareholder, pursuant to a share purchase plan (**SPP Offer**). The SPP Offer will raise up to a maximum of \$800,000 in total and Eligible Shareholders may participate by applying for parcels of Shares at an issue price of \$0.005 each, together with one free attaching New Option (exercisable at \$0.015 on or before 30 September 2016) for every two Shares subscribed for.
- (b) Up to 220,000,000 New Options for nil consideration, on the basis of one New Option for every two Shares subscribed for under the Placement (**Placement Option Offer**).

The Placement Option Offer under this Prospectus is made only to the persons who are participants in the Placement (**Proposed Placement Participants**).

Depending on the context, the SPP Offer and the Placement Option Offer shall together, or separately, be called the "**Offer**".

Completion of the Offer is conditional on Shareholder approval of the SPP Offer and the Placement being obtained at the Company's general meeting being held at 10am on 1 September 2014 (**Shareholder Meeting**).

Participation in the Offer is optional and is subject to the terms and conditions in this Prospectus.

Refer to Section 5.1 for a summary of the rights attaching to the Shares and Section 5.2 for the terms and conditions of the New Options.

1.2 Purpose of the Offer

The Company announced on 25 July 2014 a placement of up to 440,000,000 Shares each at an issue price of \$0.005 to raise up to \$2,200,000 before costs (**Placement**). Refer to Section 5.3 for further details on the Placement. The shares under the Placement will be issued to either "Sophisticated Investors" or "Professional Investors" within the meaning of sections 708(8) and 708(11) of the Corporations Act or other investors who can be issued shares without disclosure under the Corporations Act. Under the terms of the Placement, the participants will be offered one free attaching New Option exercisable at \$0.015 on or before 30 September 2016 for every two Shares subscribed for under the Placement. These New Options are being offered pursuant to the Placement Option Offer.

As outlined in 1.1(a) above, the Company also proposes to raise up to \$800,000 through the SPP Offer.

Completion of both the Placement (including the Placement Option Offer) and the SPP Offer is conditional on Shareholder approval of the Placement and the SPP Offer being obtained at the Shareholder Meeting.

This Prospectus has been issued to make the Offer. This Prospectus has also been issued to facilitate secondary trading of the underlying securities to be issued upon exercise of the New Options. Issuing the New Options under this Prospectus will enable persons who are issued

the New Options to on-sell the Shares issued on exercise of the New Options pursuant to ASIC Class Order C04/671.

Accordingly, the purpose of this Prospectus is to:

- (a) make the Offer; and
- (b) ensure that the on-sale of the underlying securities to be issued upon exercise of the New Options (that are issued pursuant to the SPP Offer and the Placement Option Offer) is in accordance with ASIC Class Order C04/671.

1.3 Use of Company Funds

Completion of the issue of Securities offered by this Prospectus will result in an increase in the cash on hand of up to approximately \$800,000 (before payment of Offer costs) which when coupled with the Placement funds of \$2,200,000 (before payment of costs) will result in the Company raising an additional \$3,000,000 (before payment of costs).

The total funds of the Company, including the funds raised under the SPP Offer and Placement, are proposed to be expended as follows:

Description	A\$
1. Cash as at 30 June 2014	783,889
2. Funds raised pursuant to Placement (before costs of the Placement)	2,200,000 ⁽¹⁾
3. Funds raised under the SPP Offer (before costs of the Offer)	800,000 ⁽²⁾
Total cash as at the date of this Prospectus and funds raised under the Offer	3,783,889
1. Acquisition of East Colorado opportunity	754,075
2. Colorado exploration activities – seismic, drilling and geophysical	2,158,602 ⁽³⁾⁽⁴⁾
3. Additional Colorado leasing activities – 2015	268,817 ⁽⁴⁾
4. Working Capital and Administration (including expenditure on existing assets)	422,436 ⁽⁴⁾
5. Costs of Offer and Placement	179,959
Total use of funds	3,783,889

(1) In addition to raising funds pursuant to the SPP Offer, the Company is also proposing to undertake the Placement (refer to Section 5.3 for further details).

(2) This amount will be reduced if the maximum amount is not raised under the SPP Offer.

(3) These exploration activities are expected to be undertaken over an approximately two year period ending on 30 June 2016.

(4) These amounts are subject to change and will be reduced accordingly if the maximum amount is not raised under the SPP Offer.

No funds will be raised from the Placement Option Offer.

Actual expenditure may differ significantly from the above estimates due to a number of factors including market conditions, the amount raised under the SPP Offer, the development of new opportunities, the results obtained from the staged approach to exploration, appraisal and development activities and other factors (including the risk factors outlined in Section 3).

Unallocated working capital may be utilised by the Company to pay for cost overruns in budgeted expenditures (if any), additional exploration and development expenditure and in the administration of the Company.

1.4 Opening and Closing Dates

The Company will accept Application Forms from the Opening Date, being 6 August 2014, until 5.00pm WST on the Closing Date, being 29 August 2014 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.5 Shareholder Eligibility to participate in SPP Offer

Participation in the SPP Offer is open to each person registered as a holder of Shares on the Record Date, being 24 July 2014, who has a registered address in Australia or New Zealand (**Eligible Shareholders**).

Trustees and nominees are able to apply for one maximum parcel of Securities under the SPP Offer for each beneficiary.

1.6 Parcels of Securities

Regardless of the number of Shares you currently own, you are entitled to apply for a parcel of Securities in the Company valued at:

- (a) \$2,000.00 (400,000 Shares and 200,000 New Options);
- (b) \$5,000.00 (1,000,000 Shares and 500,000 New Options);
- (c) \$10,000.00 (2,000,000 Shares and 1,000,000 New Options); or
- (d) \$15,000.00 (3,000,000 Shares and 1,500,000 New Options).

Each Eligible Shareholder may only apply for one of these parcels.

1.7 Scale Back

The Company does not intend to issue more than 160,000,000 Shares and 80,000,000 attaching New Options under the SPP Offer. If applications for more than 160,000,000 Shares and 80,000,000 attaching New Options are received, the Company will scale back all applications equally on a pro-rata basis.

If the Company scales-back an Application or purported application, the Company will promptly return to the Shareholder, the relevant Application Monies, without interest.

1.8 Application Form

Subject to any scale back in accordance with Section 1.7, acceptance of a completed Application Form or BPAY payment by the Company creates a legally binding contract between the Applicant and the Company for the number of Securities applied for. The Application Form does not need to be signed to be a binding acceptance of Securities.

Applications and payments may not be withdrawn once the Company has received them. Oversubscriptions or refunds of other Application Monies in any circumstances will be without interest.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance of an Application Form as valid and how to construe, amend or complete the Application Form, is final.

Applications will not be accepted after the Closing Date.

The Company reserves the right to reject any Application where it believes there is non-compliance with any terms or conditions of the Offer.

By applying for Securities under the SPP Offer, you will have agreed to be bound by the terms and conditions of the SPP Offer as set out in this Prospectus.

1.9 No action required by Proposed Placement Participants

Proposed Placement Participants are not required to do anything to be granted New Options under the Placement Option Offer.

1.10 Issue

All Securities offered by this Prospectus are expected to be issued, and security holder statements sent, on or before the date specified in the timetable.

It is the responsibility of Applicants to determine their allocation prior to trading in the Securities. Applicants who sell Securities before they receive their holding statements will do so at their own risk.

1.11 Application Monies

All Application Monies received for the Securities under the SPP Offer will be held in trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to the SPP Offer under this Prospectus until the Securities are issued. All Application Monies will be returned (without interest) if the Securities are not issued. In particular, if Shareholder approval of the SPP Offer and the Placement is not obtained, all Application Monies will be returned (without interest).

The New Options under the Placement Option Offer are being granted as free attaching Options to the participants in the Placement and so no application monies are required to be paid to subscribe for New Options pursuant to the Placement Option Offer. Accordingly, no funds will be raised by the Placement Option Offer.

1.12 ASX quotation

Application will be made to ASX no later than seven days after the date of this Prospectus for the official quotation of the Shares and New Options offered under the Offer. If permission is

not granted by ASX for the official quotation of the Shares and New Options offered by this Prospectus within three months after the date of this Prospectus (or such period as ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.13 CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASTC will send you a CHESS statement.

The CHESS statement will set out the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Security Transfer Registrars and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Securityholding changes. Shareholders may request a statement at any other time, however a charge may be made for additional statements.

1.14 Overseas Shareholders

Due to foreign security laws, it is not practical for Shareholders whose registered address is outside Australia or New Zealand to participate under the SPP Offer.

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer other than for Shareholders in Australia and New Zealand. The Company is not required to make offers under the Prospectus to Shareholders other than in Australia and New Zealand. Where the Prospectus has been sent to Shareholders domiciled outside Australia or New Zealand and where the country's securities code or legislation prohibits or restricts in any way the making of the offers contemplated by the Prospectus, the Prospectus is provided for information purposes only.

The SPP Offer is being made in New Zealand in reliance on the New Zealand Securities Act (Overseas Companies) Exemption Notice 2013. This document is not a prospectus or investment statement under New Zealand law and has not been registered or filed with, or approved by, any New Zealand regulatory authority under or in accordance with the New Zealand Securities Act 1978 or any other relevant law in New Zealand. This document may not contain all the information that an investment statement, or a prospectus under New Zealand law is required to contain.

1.15 Modification and termination of the SPP Offer and Dispute Resolution

The Company may modify or terminate the SPP Offer at any time including closing the SPP Offer early.

The Company will notify ASX of any modification to, or termination of, the SPP Offer. The omission to give notice of any modification to, or termination of, the SPP Offer or the failure of ASX to receive such notice will not invalidate the modification or termination.

The Company may settle in any manner it thinks fit, any difficulties, anomalies or disputes which may arise in connection with, or by reason of, the operation of the SPP Offer, whether generally or in relation to any participant or application, and the decision of the Company will be conclusive and binding on all participants and other persons to whom the determination relates.

The Company reserves the right to waive strict compliance with any provision of the terms and conditions of this Prospectus. The powers of the Company under this Prospectus may be exercised by the Directors or any delegate of the Directors.

1.16 Risk factors

An investment in Securities should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are in Section 3.

1.17 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Securities under this Prospectus.

1.18 Major activities and financial information

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2013 is in the Annual Financial Report which was lodged with ASX on 27 September 2013.

A summary of activities relating to the Company for the half year ended 31 December 2013 is in the Half Year Accounts, lodged with ASX on 6 March 2014.

The Company's continuous disclosure notices (i.e. ASX announcements) since 27 September 2013 are listed in Section 5.7.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders review these and all other announcements prior to deciding whether or not to participate in the Offer.

1.19 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the

Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.20 Enquiries concerning Prospectus

Enquiries concerning the Application Form can be obtained by contacting Security Transfer Registrars by telephone on (08) 9315 2333.

Enquiries relating to this Prospectus should be directed to the Chief Executive Officer or Company Secretary by telephone on (08) 9226 2111.

If you have any questions regarding the Offer or how to deal with the Offer, please contact your professional advisor or stockbroker.

2. Action required by Shareholders

2.1 Application for Securities under the SPP Offer

Eligible Shareholders may apply to purchase a parcel of Securities under the Offer valued at any one of:

- (a) \$2,000.00 (400,000 Shares and 200,000 New Options);
- (b) \$5,000.00 (1,000,000 Shares and 500,000 New Options);
- (c) \$10,000.00 (2,000,000 Shares and 1,000,000 New Options); or
- (d) \$15,000.00 (3,000,000 Shares and 1,500,000 New Options).

Each Eligible Shareholder may only apply for one of these parcels.

Should you wish to participate in the SPP Offer, then applications for Securities under this Prospectus may be made:

- (a) on the personalised Application Form which accompanies this Prospectus;
- (b) or by completing a BPAY® payment,

in accordance with the instructions referred to in this Prospectus and on the Application Form. Please read the instructions carefully.

Should you wish to make application via the personalised Application Form, please complete the Application Form by filling in the details in the spaces provided and attach a cheque for the Application Monies indicated on the Application Form.

If you wish to pay via BPAY® you must follow the instructions in the Application Form and quote your personalised reference number that has been provided on the personalised Application Form. You will be deemed to have applied for Securities upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Application Form. If you elect to pay via BPAY® then your payment must be made before 4.00pm (WST) on the Closing Date. Please read the instructions carefully.

Completed Application Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "**Elixir Petroleum Limited – Subscription Account**" and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

By delivery Security Transfer Registrars
770 Canning Highway, Applecross WA 6153, Australia,

By Post Security Transfer Registrars
PO Box 535, Applecross WA 6953, Australia

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.2 SPP Offer Certifications

By returning the Application Form or by making the BPAY payment you are deemed to have given the Company the certifications in the Application Form.

2.3 No application

If you do not wish to apply for any Securities pursuant to the SPP Offer, you are not obliged to do anything.

The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to apply for any Securities pursuant to the SPP Offer.

2.4 Enquiries concerning the Offer

If you have any queries concerning the Offer please contact:

Security Transfer Registrars
770 Canning Highway, Applecross WA 6153, Australia,

Telephone: (08) 9315 2333

3. Risk Factors

Activities in the Company and its controlled entities, as in any business, are subject to risks, which may impact on the Company's future performance. The Company and its controlled entities have implemented appropriate strategies, actions, systems and safeguards for known risks, however, some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which Shareholders need to be aware of in evaluating the Company's business and risks of increasing your investment in the Company. Shareholders should carefully consider the following factors in addition to the other information presented in this Prospectus.

The principal risks include, but are not limited to, the following:

3.1 Oil and Gas Industry Risks

The Company operates in the oil and gas sector and is subject to risks relating to exploration, drilling and production of oil and gas which may not generally be associated with other sectors. The exploitation of oil and gas reserves and successful project development is considered to be of a high risk nature and contains inherent risks including, but not limited to:

(a) **Hydrocarbon Product Price and Volatility**

The demand for, and price of, oil and natural gas is dependent on a variety of factors, including supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

The market price of hydrocarbon products is volatile and cannot be controlled. Oil and gas prices have fluctuated widely in recent years. If the price of hydrocarbons should drop significantly and remain depressed, the economic prospects of the projects which the Company has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if significant quantities of hydrocarbon products are discovered, that they can be delivered to market or that a profitable market may exist for their sale.

The marketability of hydrocarbons is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products, the effect of which cannot be accurately predicted.

(b) **Exploration and Development Risks**

Oil and gas exploration involves significant risk which only occasionally provides high rewards. There is no assurance that exploration and development of the prospects in the Oil and Gas Properties, or any other projects that may be acquired in the future, will result in the discovery of an economic oil and gas deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

Furthermore, the Company will only seek to proceed to the next stage of exploration or development when data supports the existence of a potentially economic oil and

gas deposit. Should the empirical data not support the existence of potentially economic oil and gas deposit, the Company will likely not proceed to the next stage of exploration or development.

(c) Drilling Risks

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's drilling operations may be curtailed, delayed or cancelled due to a number of factors including weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and specialist service providers as well as compliance with governmental requirements. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by the Company.

Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. Whilst wells drilled may yield some hydrocarbons there can be no guarantee that the discovery will be sufficiently productive to justify commercial development or cover operating costs.

(d) Commercialisation of Discoveries

It may not always be possible for the Company to participate in the exploitation of successful discoveries made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, that may require conditions to be satisfied and/or the exercise of discretions by such authorities in addition to ensuring the Company has adequate access to infrastructure on a timely basis. It may or may not be possible for such conditions to be satisfied. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. Such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

(e) Operating Risks

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gasses, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations, the occurrence of any of which could result in substantial losses to the Company. Damages occurring as a result of such risks may give rise to claims against the Company. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company.

Although the Company believes that it or the operator of a joint venture will carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Company's, or the operator's, insurance may not cover, or be adequate to cover, the consequence of such events. In addition, the Company may be subject to liability for pollution, blow-outs or other hazards against

which the Company or the operator does not insure or against which it may elect not to insure because of high premium costs or other reasons.

(f) Secondary Recovery Operations

Secondary recovery operations may be used by the Company on a project the Company has an interest in. Costs are also higher during the later stages of the life of the project as production declines. The degree of success, if any, of any secondary recovery program depends on a large number of factors beyond the control of the Company.

(g) Hydrocarbon Reserve Estimates

Hydrocarbon reserve estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. Should the Company encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, then reserve estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations. Where possible, the Company will seek to have any such estimates verified or produced by an independent party with sufficient expertise in their chosen field.

(h) Competition

The Company will compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce oil and gas, but also carry out refining operations and market petroleum and other products on a worldwide basis. There can be no assurance that the Company will compete effectively with these companies and other industry participants and thereby be successful in acquiring additional Oil and Gas Properties on reasonable commercial terms.

(i) Claims by Indigenous Inhabitants

The current and future oil and gas assets of the Company may be subject to land claims by indigenous people. Should this occur, the Company's ability to conduct exploration and/or development and production activities may be affected, which may have a material adverse effect on the Company's financial performance and the price at which its securities trade.

The Company is not currently aware of any land claims or potential claims by indigenous people in respect of its exploration and production activities that could significantly affect its licence tenure or any future production operations.

(j) Insurance

Insurance of all risks associated with oil and gas exploration and production is not always available and, where insurance is available, the cost may be high. The Company will have insurance in place at levels considered appropriate for the

Company's needs. The Company may not be insured against all losses due to either the insurance not being available or due to the premium being excessive in relation to the benefits accruing.

(k) Environmental and Other Regulatory Requirements

The Company's operations will be subject to environmental laws, including but not limited to, those governing the management of waste, the protection of water and air quality, the discharge of materials into the environment, and the preservation of natural resources which may impact and influence the Company's operations. If the Company fails to comply with environmental laws regarding the discharge of oil, gas, or other materials into the air, soil or water it may be subject to liabilities to the government and third parties, including civil and criminal penalties.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before exploration and production activity can commence on any property, the Company must obtain regulatory approvals and there is no assurance that such approvals will be obtained.

The Company may from time to time in the future agree to, indemnify sellers or lessors of producing properties against some liabilities for environmental claims associated with these properties.

(l) Venture Parties and Contractors

Oil and Gas ventures are typically operated under Joint Operating Agreements (JOAs), which include provisions that often require certain decisions relating to the exploitation of the Oil and Gas Properties to be passed with unanimous or majority approval of all participants. Where a venture partner does not act in the best commercial interest of the project, it could have a material adverse effect on the interests of the Company.

The Directors are unable to predict the risk of:

- (i) financial failure, non-compliance with obligations or default by a participant in any venture to which the Company is, or may become, a party; or
- (ii) insolvency or other managerial failure by any of the contractors used by the Company in its exploration activities; or
- (iii) insolvency or other managerial failure by any of the other service provider use by the Company for any activity.

(m) Minority Interest in Projects

There exists a risk that the Company, in the event it is a minority participant in its Oil and Gas Properties, may have the value of its interest in such properties reduced by actions undertaken by the majority venture participants.

Subject to relevant joint venture agreements, the Company cannot control the actions of joint venturers, and therefore, cannot guarantee that joint ventures will be operated or managed in accordance with the Company's preferred direction or strategy or guarantee that joint ventures will be operated in accordance with work

programme commitments in respect of the relevant projects. This may result in projects being forfeited or fines imposed on the joint venture parties.

3.2 Oil and Gas Operations in France

(a) Petroleum Permits

Oil and Gas exploration and production activities are carried out under permits awarded to parties by the French Government in accordance with the terms of the Mining Code 1955 and associated regulations. During the exploration phase, and prior to the determination of a production area, permits have a fixed duration. The initial five year term for the permit comprising the Company's Moselle Project in France expired in January 2014 and a renewal was lodged for a second five year term in September 2013 in accordance with prescribed procedures. The Company believes there is no legal basis for the French Government not to grant the renewal given the Company has met its work programme commitments for the first five year term and has received independent legal advice to this effect. Pursuant to the terms of the permit, the Company was required to relinquish half of the permit on renewal. The Company has applied for further ground in the vicinity of the Moselle Project and is proceeding with the application process as part of its usual course of business. There is no guarantee that that any additional permits will be granted.

(b) Farm out of Moselle Project

The Company commenced a process of identifying potential farm out partners in respect of the Moselle Project in 2013. This process is currently on hold pending renewal of the Moselle permit. If the Company is unable to successfully enter into a farm out arrangement in respect of the Moselle Project then it may not be reimbursed any back costs and may be required to continue to sole fund the project. It should be noted that, should the Moselle permit be renewed and the Company not meet its future commitments over the subsequent five year period of the permit, then the ultimate penalty would be relinquishment of the acreage in question.

(c) Regulation in France – Use of Hydraulic Fracture Stimulation

The Company's Moselle Project in France comprises both conventional and unconventional hydrocarbon resources. The typical method of stimulating wells in unconventional environments to achieve commercial flow rates is through the use of hydraulic fracture stimulation (**Fracking**). Post the Company acquiring the Moselle Project, the French Government passed legislation that prohibits the use of Fracking as a stimulation technique in France. As a result, the Company's current exploration activities at the Moselle Project focus on the portfolio of conventional prospects.

3.3 Oil and Gas Operations in USA

(a) Acquisition of Petra Project

The Company has entered into an agreement with Apollo to acquire a 50% working interest in 14,455 net acres of leases owned by Apollo (**Acquisition**). The Acquisition is due to complete in early September subject to a number of conditions precedents, including completion of due diligence to the satisfaction of the Company. There is a risk that the Company will not complete the Acquisition due to failure of Apollo to rectify any identified deficiency in the due diligence material or if the Company

uncovers any as yet, unforeseen matters that cannot be rectified to the satisfaction of the Company.

- (b) The Acquisition is defined as the Company's acquisition of a 50% share in a number of leases. Please refer to 3.3(f) for risks associated with title to leases. These leases may or may not be covering prospective areas and there is a risk the leases will not contain any hydrocarbons. There is also a risk that acquisition of seismic and drilling on these leases may not be possible due to land owner or local authorities not permitting seismic or drilling activities on the necessary tracts of land.

- (c) Option over Wattenberg Project

The agreement with Apollo includes an option to acquire a 50% working interest in certain leases in the greater Wattenberg area in Weld County Colorado. There is a risk that this option will not be available for the Company to exercise due to Apollo not being able to secure the applicable leases, either due to competitors acquiring the leases prior to Apollo or due to the terms and conditions requested by the mineral rights holders not being acceptable to Apollo and/or the Company. There is also a risk that the future capital exposure to the Company on exercise of the option may be greater than anticipated and therefore the Company will not be in a position to exercise the option.

- (d) Withdrawal from Pompano Project

While the Pompano Project has ceased production, the Company retains an interest in the surface leases associated with the production platform and a nearby well caisson and the Company retains an obligation to contribute to the costs associated with the eventual abandonment of these facilities. The facilities are expected to be abandoned in the future, but this is dependent on the operator of the joint venture, who has not provided definitive guidance on the abandonment plan. There is a risk that it may take longer for the Company to withdraw than expected, in which event the Company will incur costs in maintaining its insurance cover in respect of the project to protect it from any potential claims and may incur additional maintenance costs. The Company currently has in place a cash backed bond in excess of an independently assessed amount for the eventual costs of abandonment in respect of the Pompano Project. There is a risk that the Company's share, or proportional share, of the costs of abandonment for this project may be higher than the amount set aside by the Company in the cash backed bond to cover such costs. On 2 July 2014, it was disclosed that the parent company of one of the majority working interest holders in the Pompano Project, Buccaneer Energy Limited, initiated Chapter 11 protection under the United States Bankruptcy Code. The Board has not been advised either by the operator or Buccaneer Energy Limited of the potential impact of that the Chapter 11 protection will have on the joint venture or the timing of the eventual abandonment of the Pompano Project.

- (e) Abandonment and rehabilitation of lands

The Company is required to comply with various federal and state regulations regarding plugging, abandonment and rehabilitation of oil and natural gas wells and production sites, which may have a material adverse effect on the Company's financial performance if the abandonment and rehabilitation obligations materially increase in future years. The Company makes provision in the financial statements for the expected future cost of abandonment and rehabilitation.

(f) Title

The system for obtaining title to oil and gas leases in the United States is complex given that numerous parties may hold the undivided mineral rights to a particular tract of land. Securing the leases to those rights often requires lengthy negotiation with the various parties. In order to independently verify that the parties with whom a company is dealing are the correct and sole holders of the mineral rights and to analyse the full rights and restrictions applying to the interest held by those parties requires that a company obtain detailed title opinions from appropriately qualified and experienced lawyers. This can be a lengthy and expensive process and the final opinions are often the subject of numerous qualifications. It is therefore customary that such title opinions are not sought until a company proposes to conduct a drilling operation and/or expend significant amounts of money on a particular lease.

The Company has adopted this customary approach and, accordingly, may not have obtained the detailed title opinions on the leases that it has, or will acquire, an interest in other than those on which drilling has been proposed in the near future. As a consequence there may be third parties that hold or claim mineral rights in relation to the leases that the Company has an interest in which have not previously been identified.

(g) Petroleum land leases and licences

Oil & Gas exploration and production are activities usually carried out under licences and / or leases which have a fixed duration and are issued by the mineral rights owners.

These leases and licences usually specify royalties or other forms of compensation payable to government or mineral rights owners. Amounts payable may change due to decisions of the legislator or the courts and such changes might impact the cost base and hence the profitability of a particular project. The leases in the US are also subject to competition and there can be no assurance that the company will be able to compete effectively with other industry participants to extend or maintain its leases (not otherwise secured or held by production) on reasonable commercial terms.

The leases and licences might also contain conditions relating to operations including, but not limited to, environmental management issues, occupational health and safety, operating procedures, plant and equipment design specifications etc. Such conditions or regulations might be subject to change from time to time and might impact the cost base and hence the profitability of a particular project.

(h) Regulation in the United States – General

The oil and gas industry in the United States of America is extensively regulated. Extensive federal, state, local and foreign laws and regulations relating to the exploration for and development, production, gathering and marketing of oil and gas will affect the Company's operations with respect to its United States based projects. From time to time, regulatory agencies have imposed price controls and limitations on production. Numerous environmental laws impact and influence operations and compliance with existing and future regulations increases the overall cost of business. Environmental regulations have historically been subject to frequent change and, therefore, one cannot predict with certainty the future costs or other future impacts of environmental regulations on future operations. If the Company

fails to comply with environmental laws it may be subject to liabilities to the government and third parties, including civil and criminal penalties. New laws or regulations, or modifications of or new interpretations of existing laws and regulations, may increase substantially the cost of compliance or adversely affect oil and gas operations and financial conditions.

(i) Regulation in the United States – Sale of Oil and Gas

Most sales of natural gas in the United States are not currently regulated and are generally made at market prices. The price realised from the sale of these products is affected by a number of factors, including, but not limited to, the cost of transporting the products to market.

(j) Regulation in the United States – Exploration and Production

Oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state and local agencies. Failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil and gas industry increases the cost of doing business and affects profitability. Because such rules and regulations are frequently amended or reinterpreted, the Company is unable to predict the future cost or impact of complying with such laws. As with many jurisdictions around the world, there is an active movement in various States within the United States (including Colorado) that are pushing for further regulation or the complete banning of the technique of Fracking, a practice now extensively used in the United States for extracting hydrocarbons from “unconventional reservoirs”.

3.4 Other Risks

(a) Shareholder Approval of the Offer

Completion of the Offer is conditional on Shareholder approval of the SPP Offer and the Placement being obtained at the Shareholder Meeting. If the SPP Offer and the Placement are not approved by Shareholders then the Company will not proceed with the SPP Offer or the Placement and will repay all application monies received.

(b) Funding of Acquisition Commitments

Completion of the Offer will provide the funding to meet the various commitments associated with the Acquisition. In the event the Offer does not complete for whatever reason the Company will not be in a position to meet the Acquisition commitments.

(c) Additional Requirements for Funding

The Company's ongoing funding requirements depend on numerous factors including the Company's ability to generate income from its Oil and Gas Properties. It may require further financing in addition to amounts raised pursuant to the SPP Offer and Placement. Additional equity financing, if available, may be dilutive to Shareholders and at lower prices than the current market price. Debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

(d) Changes in Legislation and Government Regulation

Changes to legislation or government policy in Australia, France and the United States of America, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in the Company. The Company cannot predict how existing, or future laws and regulations may be interpreted by enforcement agencies or court rulings, whether additional laws and regulations will be adopted, or the effect such changes may have on the Company's business or financial condition.

(e) Economic Conditions

Economic conditions in Australia, France, United States of America and globally, may affect the performance of the Company. Factors such as currency fluctuations, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenue and securities price can be affected by these factors all of which are beyond the control of the Company or its Directors. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company. In addition, the Company's ability to raise additional capital, should it be required, may be affected by such economic conditions.

(f) Foreign Exchange Risk

The Company's operating Oil and Gas Properties are located in the United States of America and France. As a result, revenues, cash flows, expenses, capital expenditure and commitments will be primarily denominated in United States dollars and Euros.

The Company's interest in the Oil and Gas Properties is currently accounted for in United States dollars, Euros and Pounds Sterling. This will result in the Company being exposed to the fluctuations and volatility of the US dollar, Euro, Pound Sterling and the Australian dollar exchange rates upon translation or repatriation of US dollars, Euros and Pounds Sterling to Australian dollars.

(g) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(h) Insurance

The Company will, where possible and economically practicable, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers, there will remain the risk that an insurer defaults in payment of a legitimate claim by the Company under an insurance policy.

3.5 Investment Speculative

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

Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Shares pursuant to this Prospectus.

4. Effect of the Offer

4.1 Capital Structure on completion of the Offer

	Shares	New Options	Incentive Options	Performance Rights
Balance at the date of this Prospectus	431,278,356	-	15,000,000 ⁽¹⁾	1,000,000 ⁽²⁾
To be issued to the Managing Director elect	-	-	-	30,000,000 ⁽³⁾
To be issued pursuant to Shareholder Approval	-	20,000,000 ⁽⁴⁾	12,000,000 ⁽⁵⁾	-
To be issued under the Placement (including the Placement Option Offer)	440,000,000	220,000,000	-	-
To be issued under the SPP Offer	160,000,000	80,000,000	-	-
Balance after the Offer (if fully subscribed)	1,031,278,356	320,000,000	27,000,000	31,000,000

(1) Options each exercisable at \$0.01 on or before 30 April 2017. Refer to Section 5.4 for further details.

(2) Performance Rights vest upon successful renewal of the Moselle Permit and expire on the earlier of the holder ceasing to be a consultant and 9 May 2015.

(3) Performance Rights to be granted to Mr Dougal Ferguson as part of his appointment as Managing Director. Refer to Section 5.4 for further details.

(4) New Options to be issued to Hartleys subject to Shareholder approval which will be sought at the Shareholder Meeting. Refer to Section 5.11 for further details of Hartleys fees.

(5) Incentive Options to be issued to the non-executive Directors subject to Shareholder approval which will be sought at the Shareholder Meeting. Refer to Section 5.10 for further details.

4.2 Pro Forma Statement of Financial Position

Basis of Preparation

The pro-forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro-Forma Financial Information (issued July 2005).

The pro forma balance sheets have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The pro forma statement of financial position is based on the statement of financial position as at 30 June 2014 that has then been adjusted to reflect the material transactions in the notes below. No adjustments have been made to reflect any potential impairment of deferred exploration expenditure as at 30 June 2014 for the purposes of this pro forma.

	Consolidated Actual	Pro forma Adjustments	Consolidated Pro forma
	30-June-14 (unaudited)		Post Offer (unaudited)
	\$	\$	\$
Assets			
Current Assets			
Cash and cash equivalents	783,889	2,065,966	2,849,855
Trade and other receivables	642,333	-	642,333
Total current assets	1,426,222	2,065,966	3,492,188
Non-current assets			
Plant and equipment	1,906	-	1,906
Deferred exploration expenditure	4,486,708	754,075	5,222,783
Total Non-current assets	4,488,614	754,075	5,242,689
Total assets	5,914,836	2,820,041	8,734,877
Liabilities			
Current liabilities			
Trade and other payables	242,219	-	242,219
Provisions	484,816	-	484,816
Total Current liabilities	727,035	-	727,035
Total liabilities	727,035	-	727,035
Net Assets	5,187,801	2,820,041	8,007,842
Equity			
Contributed equity	66,721,737	2,820,041	69,541,778
Reserves	(239,335)	32,248	(207,087)
Accumulated losses	(61,294,601)	(32,248)	(61,326,849)
Total Equity	5,178,801	2,820,041	8,007,842

Pro Forma Adjustments

The pro forma statement of financial position has been prepared based on the unaudited statement of financial position as at 30 June 2014 that has been adjusted to reflect the following transactions and events relating to the issue of Shares under this Prospectus:

- (a) Increase in cash of \$2,200,000 being the amount raised from the Placement of \$2,200,000, less the costs of the Offer of \$121,968
- (b) Increase in cash of \$800,000 being the amount raised from the Offer of \$800,000, less the costs of the Offer of \$57,991.
- (c) Increase in contributed equity of \$2,200,000 being the issue of 440,000,000 shares at an issue price of \$0.005 each pursuant to the Offer less costs of the Offer of \$121,968
- (d) Increase in contributed equity of \$800,000 being the issue of 160,000,000 shares at an issue price of \$0.005 each pursuant to the Offer less costs of the Offer of \$57,991.

- (e) Increase in deferred exploration expenditure of \$754,075 being completion of the Acquisition of the Petra Project and a reduction in cash of the same amount.
- (f) Increase in accumulated losses of \$32,248 to account for the issue of advisor options to Hartleys and an increase in the option premium reserve of the same amount.

4.3 Market price of Shares

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

Highest: \$0.008 per Share on 30 June, 22 July, 29 July and 30 July 2014

Lowest: \$0.004 per Share on 20 June 2014

The latest available market sale price of the Company's Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.007 per share on 4 August 2014.

4.4 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5. Additional information

5.1 Rights attaching to Shares

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

The Shares to be issued under this Prospectus will rank equally with the existing Shares.

(a) General meeting and notices

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

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by an attorney; representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are 2 or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in the Company's register of members.

(c) Issues of further Shares

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

(d) Variation of Rights

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares

of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(e) Transfer of Shares

Subject to the Constitution, the Corporations Act and Listing Rules, Shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by any other method of transferring or dealing with Shares introduced by the ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or the ASX that is permitted by the Corporations Act.

The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASTC Business Rules) where permitted to do so under the Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for the refusal. The Directors must decline to register a transfer of Shares when required by law, by the Listing Rules or by the ASX Settlement Operating Rules.

(f) Partly paid Shares

The Directors may, subject to compliance with the Constitution, the Corporations Act and Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

(g) Dividends

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class.

Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding any amount paid in advance of calls) bears to the total issue price of the share.

(h) Winding up

Subject to the rights of holders of shares with special rights in a winding-up, if the Company is wound up, members will be entitled to participate in any surplus assets of the Company in proportion to the percentage of the capital paid-up or credited as paid up on the shares when the winding up begins.

(i) Dividend reinvestment and Share plans

Subject to the requirements in the Corporations Act and the Listing Rules, the Directors may implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company) and any other share plans (under which any member may elect to forego any dividends that may be payable on

all or some of the shares held by that member and to receive instead some other entitlement, including the issue of fully paid shares).

(j) Directors

The Constitution states that the minimum number of Directors is 3.

(k) Powers of the Board

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Directors have the power to manage the business of the Company and may exercise every right, power or capacity of the Company.

(l) Share buy backs

Subject to the provisions of the Corporations Act and the Listing Rules, the Company may buy back shares in itself on the terms and at times determined by Directors.

(m) Unmarketable parcels

The Company's constitution permits the Board to sell the Shares held by a Shareholder if they comprise less than a marketable parcel within the meaning of the ASX Business Rules. The procedure may only be invoked once in any 12 month period and requires the Company to give the Shareholder notice of the intended sale.

If a Shareholder does not want his Shares sold, he may notify the Company accordingly.

(n) Capitalisation of profits

The Company may capitalise profits. Subject to the Constitution and the terms of the issue of shares, members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(o) Capital reduction

Subject to the Corporations Act and Listing Rules, the Company may reduce its share capital.

(p) Preference Shares

The Company may issue preference shares including preference shares that are liable to be redeemed. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company's members.

5.2 Terms and Conditions of the New Options

The New Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each New Option gives the Optionholder the right to subscribe for one Share upon exercise of the New Option.

- (b) The New Options will expire at 5.00pm (WST) on 30 September, 2016 (Expiry Date). Any New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The exercise price of each New Option is \$0.015 (Exercise Price).
- (d) The New Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their New Options by lodging with the Company, on or prior to the Expiry Date:
 - (i) a written notice of exercise of New Options specifying the number of New Options being exercised (Exercise Notice); and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of New Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable".
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Exercise Notice.
- (h) The New Options will be transferable.
- (i) All Shares issued upon the exercise of New Options will upon issue rank equally in all respects with the then issued Shares.
- (j) The New Options will be unlisted Options upon grant. However the Company reserves the right to apply for quotation of the New Options at such time as the Company in its absolute discretion determines. Should the Company make an application for official quotation of the New Options and the ASX accepts the application for quotation of the New Options then the New Options will be listed options from the time that the ASX accepts such application.
- (k) The Company will apply for official quotation on ASX of all Shares issued upon exercise of New Options within 10 Business Days after the date of issue of those Shares.
- (l) If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.
- (m) There are no participation rights or entitlements inherent in the New Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options.
- (n) A New Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the New Option can be exercised.

5.3 Placement

The Company announced on 25 July 2014 that it is proposing to issue up to 440,000,000 shares at \$0.005 per share together with up to 220,000,000 free attaching New Options to the Proposed Placement Participants to raise up to \$2,200,000 prior to costs (**Placement**). The Placement is subject to shareholder approval which will be sought at the Shareholder Meeting.

5.4 Appointment of Managing Director

The Chief Executive Officer, Mr Dougal Ferguson, has agreed to be appointed Managing Director upon successful completion of the Placement, the SPP Offer and the proposed Acquisition of the Petra Project. Mr Ferguson's annual salary of \$260,000 per annum including superannuation will not change upon his appointment as Managing Director. However upon completion of the Acquisition, Mr Ferguson will be awarded 30 million Performance Rights to be issued pursuant to the Elixir Petroleum Executive Incentive Plan which will vest over two years upon the attainment of certain share price related hurdles. No Performance Rights will vest if the share price does not exceed \$0.01, with 50% vesting if the share price is equal to or greater than \$0.01 and 100% vesting if the share price is equal to or greater than \$0.014, with pro rata adjustment for a share price between \$0.01 and \$0.014. 50% of the Performance Rights will be measured on 31 July 2015, with the balance being measured against the share price hurdles on 31 July 2016.

Upon his appointment as Chief Executive Officer on 1 May 2014, Mr Ferguson was awarded 15 million share options exercisable at \$0.01 per share within three years. The options vest 50% after 12 months with the balance vesting after 24 months and can be cancelled on cessation of employment. There is no fixed term in Mr Ferguson's employment agreement but either party may terminate Mr Ferguson's employment by providing three months' notice. Mr Ferguson will be entitled to participate in both long term and short term incentive plans as approved by the Board and based on achievement of agreed milestones.

5.5 Additional Option Offer

In addition to the Offer, the Company is making an offer pursuant to this Prospectus of up to 1,000 New Options at an issue price of \$0.001 per New Option on the basis of one New Option for every two Shares subscribed for (**Additional Option Offer**). The Additional Option Offer is made only to those persons who the Directors determine in their absolute discretion.

The Additional Option Offer is being made to facilitate secondary trading of any further issue of New Options that may occur prior to the Company being in a position to issue a notice in respect of the New Options under section 708A(5) of the Corporations Act.

5.6 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules of ASX.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.7 below).

5.7 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the issue, a copy of:

- (a) the Annual Financial Report of the Company for the year ended 30 June 2013, being the last financial year for which an annual financial report has been lodged with ASIC in relation to the Company before the issue of this Prospectus;
- (b) the half-year financial report for the half-year ended 31 December 2013 lodged by the Company with ASX on 6 March 2014; and
- (c) the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Financial Report referred to in paragraph (a) and before the date of issue of this Prospectus are as follows:

Date Lodged	Subject of Announcement
27 September 2013	Full Year Statutory Accounts
11 October 2013	Annual Report to Shareholders
11 October 2013	Notice of General Meeting / Proxy Form
17 October 2013	UK North Sea Farmout
17 October 2013	Change of Director's Interest Notice
31 October 2013	Quarterly Report & Appendix 5B
12 November 2013	Presentation for 2013 AGM
12 November 2013	Appendix 3Z
12 November 2013	Results of Meeting 2013
12 November 2013	Agreement to exit High Island
12 November 2013	Replace Appendix 3Z
18 December 2013	Change of Share Registry
7 January 2014	Lapse of Performance Rights
30 January 2014	Quarterly Report & Appendix 5B
3 February 2014	Change of Registered Office
21 February 2014	Relinquishment of UK Licences
6 March 2014	Half-Year Statutory Accounts
30 April 2014	Quarterly Report & Appendix 5B
2 May 2014	Appendix 3B
7 May 2014	Appendix 3B
13 May 2014	Board Changes
13 May 2014	Appendix 3Z
24 June 2014	Change of Director's Interest Notice
22 July 2014	Trading Halt
25 July 2014	Suspension from Official Quotation
25 July 2014	Acquisition of Oil Project and Capital Raising
25 July 2014	Reinstatement to Official Quotation

25 July 2014	Colorado Acquisition Presentation
31 July 2014	Quarterly Report and Appendix 5B
1 August 2014	Notice of General Meeting/Proxy Form

The following documents are available for inspection throughout the application period of this Prospectus during normal business hours at the registered office of the Company at Level 2, 7 Ventnor Avenue, West Perth WA 6005, Australia;

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 5.13 and the consents provided by the Directors to the issue of this Prospectus.

5.8 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

5.9 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

5.10 Directors' interests

- (a) Interests

Except as disclosed in this Prospectus, no Director or proposed director, and no firm in which a Director or proposed director:

- (i) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (ii) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

- (b) Directors' Holdings

Set out in the table below are details of Directors' and the Proposed Director's relevant interests in the Shares and Options of the Company at the date of this Prospectus:

Director	No. of Shares Held ⁽¹⁾	Placement Shares	New Options	Incentive Options ⁽⁴⁾	Performance Rights
Samuel Willis	1,500,000	15,000,000 ⁽²⁾	7,500,000 ⁽²⁾	4,000,000 ⁽⁴⁾	Nil
Mark O'Clery	306,940	5,000,000 ⁽²⁾	2,500,000 ⁽²⁾	4,000,000 ⁽⁴⁾	Nil
Michael Price	999,999	5,000,000 ⁽²⁾	2,500,000 ⁽²⁾	4,000,000 ⁽⁴⁾	Nil
Dougal Ferguson	Nil	15,000,000 ⁽³⁾	7,500,000 ⁽³⁾	15,000,000 ⁽⁵⁾	30,000,000 ⁽⁶⁾

1. Held directly or indirectly by the Director or a related party of the Director.

2. Proposed to be issued pursuant to the Placement and subject to shareholder approval to be sought at the Shareholder Meeting.

3. Proposed to be issued pursuant to the Placement.

4. Subject to shareholder approval to be sought at the Shareholder Meeting exercisable at \$0.015 each on or before 15 October 2016, 50% vesting after 12 months and 50% vesting after 24 months.

5. Each exercisable at \$0.01 on or before 30 April 2017. Refer to Section 5.4 for further details.

6. To be issued on completion of the Acquisition, the SPP Offer and the Placement. Refer to Section 5.4 for further details.

(c) **Remuneration of Directors**

In accordance with the Constitution, the Shareholders have approved an aggregate amount of up to \$500,000 per annum to be paid as non-executive Directors' fees.

It is currently resolved that the Chairman of the Company is entitled to receive fees of \$60,000 per annum and each non-executive Director is entitled to receive fees of \$45,000 per annum (inclusive of superannuation). In addition, certain Directors are paid an additional amount of \$5,000 for chairing various Company committees. Payments of Director's fees will be in addition to any payments to Directors in any employment or consultancy capacity. The Company's Constitution provides that the Company may remunerate the Directors. The remuneration shall, subject to any resolution of a general meeting, be fixed by the Directors.

Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors may receive incentive shares and/or options in order to secure and/or retain their services.

Fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

Directors and the Proposed Director, or their nominee companies, received the following remuneration for the preceding two financial years:

Directors	Year	Salary & Fees \$	Superannuation \$	Share Based Payments \$ ⁽⁴⁾	Total \$
Samuel Willis ⁽¹⁾	2013/2014	37,500	-	-	37,500
	2012/2013	-	-	-	-
Mark O'Clery	2013/2014	80,383	-	-	80,383 ⁽²⁾
	2012/2013	212,909	-	-	212,909 ⁽²⁾
Michael Price	2013/2014	45,872	4,128	-	50,000
	2012/2013	45,872	4,128	-	50,000
Dougal Ferguson ⁽³⁾	2013/2014	99,452	3,669	7,274	110,395
	2012/2013	-	-	-	-

(1) Mr Samuel Willis is paid \$45,000 per annum and was appointed a director on 30 August 2013. Mr Willis took up the role of Chairman on 13 May 2014 with no increase to his current fees to date.

(2) Mr O'Clery provides geological and geophysical services as required by the Company under a Consultancy Services Agreement (see 5.10(d) below).

(3) It is proposed that Mr Ferguson will be appointed the Managing Director of the Company following successful completion of the SPP Offer, Placement and the Acquisition of the Petra Project. Refer to Section 5.4 for further information. Mr Ferguson commenced as consultant to Elixir in January 2014 before being appointed Chief Executive Officer effective 1 May 2014. The salaries and fees identified above represent both his consulting fees and his salary for the 2013/2014 financial year.

(4) It is proposed that the current Directors will be granted incentive Options subject to Shareholder approval. Refer to Section 5.10(b) for further information.

(d) Other Interests

Mr Mark O'Clery provides geological and geophysical services pursuant to a Consultancy Services Agreement on an ad hoc basis as required by the Company from time to time. Mr O'Clery receives a consultancy fee of \$250 per hour (plus GST) for any services provided domestically and \$325 per hour (plus GST) for services provided internationally.

5.11 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Offer.

GTP Legal will be paid fees of approximately \$5,000 (plus GST) in relation to the preparation of this Prospectus. In the past two years, GTP Legal has received approximately \$51,235 for the provision of legal services to the Company.

Hartleys will be paid fees of approximately \$140,000 (excluding GST) in relation to its services as lead manager and broker to the Placement and SPP Offer. Hartleys will also be issued 20,000,000 New Options subject to Shareholder approval which will be sought at the Shareholder Meeting.

Security Transfer Registrars has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

5.12 Expenses of Offer

The estimated expenses of the Offer, assuming full take up of the Offer, are as follows:

	\$
ASIC lodgement fee	2,290
ASX quotation fee	4,251
Legal expenses	5,000
Share registry costs	1,500
Lead Manager fees	42,000
Printing, mailing and other expenses	<u>2,950</u>
Total	<u>57,991</u>

5.13 Consents

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

GTP Legal has given, and has not withdrawn, their written consent to being named in this Prospectus as solicitors to the Company. GTP Legal has not authorised or caused the issue of this Prospectus or the making of the Offer under this Prospectus. GTP Legal makes no representation regarding, and to the extent permitted by law excludes any responsibility for, any statements in or omissions from any part of this Prospectus.

Hartleys has given, and has not withdrawn, its written consent to being named in this Prospectus as lead manager and broker to the Placement and SPP Offer. Hartleys has not authorised or caused the issue of this Prospectus or the making of the Offer under this Prospectus. Hartleys makes no representation regarding, and to the extent permitted by law excludes any responsibility for, any statements in or omissions from any part of this Prospectus.

Security Transfer Registrars has given, and has not withdrawn, its written consent to be named as share registry to the Company. Security Transfer Registrars has had no involvement in the preparation of any part of this Prospectus other than being named as share registry to the Company. Security Transfer Registrars has not authorised or caused the issue of this Prospectus and the making of the Offer under this Prospectus. Security Transfer Registrars makes no representation regarding, and to the extent permitted by law excludes any responsibility for, any statements in or omissions from any part of this Prospectus.

6. Authorisation

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of Company by:

Samuel Willis

Dated: 4 August 2014

7. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian dollars.

Acquisition has the meaning in Section 3.3(b).

Annual Financial Report means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2013 and includes the corporate directory, Shareholder information, Directors' declaration, financial statements and the notes thereto, of the Company and its controlled entities for the year ended 30 June 2013, together with a Directors' report in relation to that financial year and the auditor's report for the year to 30 June 2013.

Apollo means Apollo Operating LLC.

Applicant means a person who submits an Application Form or makes a BPAY Payment.

Application means a valid application for Securities made pursuant to this Prospectus on an Application Form.

Application Form means the application form attached to this Prospectus.

Application Monies means application monies for Securities received by the Company.

ASIC means Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

ASX means ASX Limited ACN 008 624 691.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means the day specified in the proposed timetable or such later date as the Directors may determine.

Company or **Elixir** means Elixir Petroleum Limited ACN 108 230 995.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means Corporations Act (Cth) 2001.

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

Eligible Shareholder has the meaning in Section 1.5.

Hartleys means Hartleys Limited.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the Listing Rules of ASX.

New Option means an Option exercisable at \$0.015 on or before 30 September 2016 and otherwise with the terms and conditions in Section 5.2.

Offer has the meaning in Section 1.1.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Option means the right to acquire one Share.

Placement Option Offer has the meaning in Section 1.1.

Placement has the meaning in Section 5.3.

Proposed Director means Mr Dougal Ferguson.

Proposed Placement Participants has the meaning in Section 1.1.

Prospectus means this prospectus dated 4 August 2014.

Record Date means the day specified in the proposed timetable.

Section means a section of this Prospectus.

Security means a Share or Option.

Security Transfer Registrars means Security Transfer Registrars Pty Ltd ACN 008 894 488.

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

Shareholder means a holder of Shares.

Shareholder Meeting has the meaning in Section 1.1.

SPP Offer has the meaning in Section 1.1.

WST means Western Standard Time, being the time in Perth, Western Australia.