

# MAKO ENERGY LIMITED

ACN 009 218 955

## PROSPECTUS

For an Offer of 1 New Share for every 3.5 Shares held at a price of 10 cents per New Share by way of a pro-rata Non-Renounceable Rights Issue to raise approximately \$3,593,751 before costs.

### **Important Notice**

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

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

**IMPORTANT NOTICE**

This Prospectus is dated 1 July 2011. A copy of this Prospectus has been lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

No Shares will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Mako (ASX Code: MKE) has applied to ASX for quotation of the New Shares. ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may quote the New Shares is not to be taken in any way as an indication of the merits of Mako.

Before deciding to invest in Mako, you should read and understand the entire Prospectus and, in particular, in considering Mako's prospects, you should consider the risk factors that could affect Mako's performance. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding to invest. Investing in Mako involves risks. See 'Risk Factors' in Section 5 for a discussion of certain risk factors that you should consider before deciding to invest in Mako.

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus or has not been released to ASX with the authorisation of Mako.

The Application Form accompanying this Prospectus is important. Please refer to the instructions in Section 4 of this Prospectus regarding the acceptance of your Entitlement. Applications can only be submitted on a valid Application Form that is only available with this Prospectus.

**Restrictions on distribution**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia or to otherwise permit a public offering of Rights or New Shares or in any jurisdiction outside Australia. This Prospectus is not to be distributed in, and no offer of New Shares is to be made in, countries other than Australia and New Zealand.

Neither the Rights nor New Shares have been or will be registered under the US Securities Act of 1933 and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their Application. Return of a duly completed Application Form will be taken by Mako as a representation that the Applicant is an Eligible Shareholder.

Shareholders outside Australia and New Zealand should refer to Section 1.10 of this Prospectus for details of how your Entitlement will be dealt with.

**Disclaimer**

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Mako in connection with the Offer. Neither Mako nor any other person warrants the future performance of Mako or any return on any investment made under this Prospectus except as required by law and then only to the extent so required.

Some of the information contained in this Prospectus constitutes forward-looking statements that are subject to various risks and uncertainties. Forward-looking

statements include those containing such words as 'anticipate', 'estimate', 'should', 'will', 'expects', 'plans' or similar expressions. These statements discuss future objectives or expectations concerning results of operations or financial conditions or provide other forward-looking information. Mako's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward-looking statements. This Prospectus details some important factors that could cause Mako's actual results to differ from the forward looking statements made in this Prospectus.

**No Rights trading**

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

**Prospectus availability**

This Prospectus is available in electronic form at [www.makoenergy.com.au](http://www.makoenergy.com.au) and [www.asx.com.au](http://www.asx.com.au) only for persons within Australia. Persons who access the electronic form of this Prospectus must ensure that they download and read the entire Prospectus.

A printed copy of this Prospectus is available free of charge by calling Mako on +61 (08) 9322 2700.

**Definitions and glossary, financial amounts and time**

Definitions of certain terms used in this Prospectus are contained in Section 7. All references to currency are to Australian dollars and all references to time are to Perth time, unless otherwise indicated.

**Enquiries**

For further information in relation to the Offer, please call Mako's Company Secretary on +61 (08) 9322 2700.

## **INVESTMENT HIGHLIGHTS**

**Mako** is an oil and gas exploration company with assets located in Central Western Canada.

- The Company is the operator and 50% owner of the Joint Venture ("JV") holding 123.3 sections or almost 80,000 acres of land along a fairway of approx 130km almost all of which has been targeted for light oil and liquids-rich natural gas exploration.
- The Joint Venture's average cost of acquisition of its lands was approximately \$100 per hectare
- Recent land sales surrounding and in the immediate vicinity of Mako's project area have recently set a new one day revenue record of CAD\$749M for 497 sections, with up to ~CAD\$14,000 paid per hectare.
- Participants in this record purchase included TSX and NYSE listed Encana Corporation, targeting a deeper hydrocarbon bearing shale horizon known as the "Duvernay" for gas and natural gas liquids ("NGLs").
- In recent press releases, Encana has compared the Duvernay to the Eagle Ford shale resource in Texas.
- Mako's mineral rights include the Duvernay and other prospective formations in addition to the Rock Creek.
- Based on recent land sale values, Mako management estimates a net asset value per issued share of CAD\$0.45.
- A National Instrument 51-101 (Canadian securities regulators' Standards of Disclosure for Oil and Gas Activities) compliant Resource Report prepared by Sproule Associates Limited confirms OOIP for Mako's Rock Creek assets of 115MMbbl net to the Company, using a 3% porosity cut off. This was based on the Joint Venture's land position in February 2011. The Joint Venture has since increased its land holdings by 30%.
- The Joint Venture will now focus on a search for one or more parties with demonstrable capability and proficiencies to initiate a trial drilling program of the Rock Creek horizon by way of a farm-out of a small, select project area, and a drilling program leading to the full commercialisation of all of the Joint Venture's deeper mineral rights, including Duvernay horizon by wide area farmouts or third party operated joint ventures.

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**IMPORTANT DATES**

Prospectus Lodgement Date	1 July 2011
Ex Date (date from which Shares commence trading without the Entitlement to participate in the Rights Issue)	6 July 2011
Record Date to determine Entitlements under the Rights Issue	12 July 2011
Prospectus and Entitlement and Acceptance Form despatched	13 July 2011
Offer Opens	13 July 2011
Closing Date for acceptances	2 August 2011
Allotment and issue of New Shares	5 August 2011
Despatch of shareholding statements for New Shares	5 August 2011
Trading of New Shares expected to commence	8 August 2011

*There will be no deferred trading.*

This timetable is indicative only and subject to change. The Directors generally reserve the right to vary these dates, including the Closing Date without prior notice. The Directors also reserve the right not to proceed with the whole or part of the Offer any time prior to allotment. In that event, the relevant Application Money will be returned without interest.

**CORPORATE DIRECTORY**

**DIRECTORS**

George Watson (Chairman)  
Simon Owen (Executive Vice Chairman)  
Robert Paul Griesse (Managing Director)  
Curtis Hartzler (Non-Executive Director)  
Graham Anderson (Non-Executive Director)

**SECRETARY**

Leonard Math

**REGISTERED AND  
PRINCIPAL OFFICE**

c/- GDA Corporate  
Suite 2, Level M  
35-37 Havelock Street  
WEST PERTH WA 6005

Telephone: +61 (08) 9322-2700  
Facsimile: +61 (08) 9322-7211  
[www.makoenergy.com.au](http://www.makoenergy.com.au)

**SOLICITORS**

Gadens Lawyers  
Level 1  
16 St George's Terrace  
PERTH WA 6000

**AUDITORS**

Grant Thornton Audit Pty Ltd  
10 Kings Park Road  
West Perth WA 6005

**SHARE REGISTRY**

Security Transfer Registrars  
770 Canning Highway  
Applecross WA 6153  
Telephone: (08)9315 2333  
Facsimile: (08)9315 2233

**LETTER FROM THE BOARD**

Dear Shareholder

During the five months following the failure of the Company's Kaybob well Mako has:

- Increased its gross land position in the Rock Creek Project to 123.3 sections (31,500 ha or 79,000 acres);
- Entered into a joint venture for these lands of which it has a net 50% working interest and is the operator;
- Received its initial independent, National Instrument 51-101 compliant Resource Estimate for the Rock Creek lands of 115MM bbls OIIP net to Mako, based on only 91 sections of land held at that time (i.e. 25% less land than currently held);
- Received public data on a small number of successful third party trial wells into the Rock Creek formation;
- Received its maiden independent Reserves Report based on the Provost Project;
- Received market validation of the Company's land position in a prospective resource play, the Duvernay shale formation in Central Alberta, following a record one day land sale which saw Encana Corporation, among others, acquire lands surrounding or contiguous with a majority of the Company's lands for CAD\$749 million.

The period has also been presented with challenges following the death of Manfred Rockel (VP Engineering) and the resignation of Curtis Hartzler (President and CEO). These, and other events, have also delayed the Company's aspirations to have a greater exposure to the Canadian capital markets, a process which is now well under way again.

These events required the Board to re-examine its strategic options to commercialise the Rock Creek resource and to consider management alternatives. This, combined with a general 'market malaise' has reflected very poorly upon the Company's share price, and the Board accepts responsibility for this.

The results of the 1 June, 2011 Alberta Crown land sale has expanded the Company's options and validated the Company's assets. It has also served as a catalyst to redefine the Company's business objectives. Given the size and scope of the Company's exposure to 2, and potentially more, significant resource plays, the Board believes that maximum shareholder value would be achieved if one (or more) major North American producers were engaged as operator, bringing the experience, technology and balance sheet necessary to extract value from these prospects as soon as practicable.

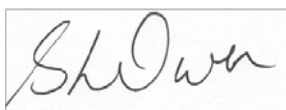
There may arise alternatives to this strategy as the Company proceeds. The Board believes this business model will mitigate the considerable cost and risk in exploiting such large projects whilst maintaining the capital structure and shareholders' value.

This prospectus outlines the details of a pro-rata non-renounceable rights issue by Mako to raise approximately \$3.59 million (before costs of the issue). The Company also announced to the ASX on the successful Placement ("Placement") of \$1.53M on 24 June

2011. The Placement, in conjunction with the Rights Issue, underpins a coordinated strategy to raise approximately \$5.1M of new capital (assuming the rights issue is fully subscribed). The funds will be used to ensure that the Company maintains adequate working capital to execute its strategy for the next 12 months and, with the sale of the Company's remaining non-core assets, to extinguish all liabilities and debt.

I encourage you to carefully consider the contents of this Prospectus as the Board would welcome your participation in this rights issue as a key step to realise the potential of the Company's assets and their value.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S Owen', enclosed within a thin black rectangular border.

**Mr Simon Owen**  
**Executive Vice Chairman of Mako Energy Limited**  
**on behalf of the Board**

## **Section 1 DETAILS OF RIGHTS ISSUE**

### **1.1 The Issue**

This Prospectus offers to Shareholders non-renounceable pro rata Entitlements on the basis of 1 New Share for every 3.5 Shares held as at the Record Date at an issue price of 10 cents each.

The Company currently has 125,781,286 Shares on issue. If the Rights Issue is fully subscribed, this will result in the issue of 35,937,510 New Shares disregarding any rounding up of fractional entitlements and the amount raised will be \$3,593,751.

### **1.2 Not Underwritten**

The Issue is not underwritten.

### **1.3 Entitlement to Rights**

Shareholders who are on Mako's share register at the close of business on the Record Date, being 5.00 pm on 12 July 2011 will receive Rights to acquire 1 New Share for every 3.5 Shares held, at an issue price of 10 cents per New Share.

Fractional entitlements will be rounded up to the nearest whole number of New Shares. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. If Mako considers that holdings have been split to take advantage of rounding, Mako reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

An Application Form setting out your Entitlement to New Shares accompanies this Prospectus.

### **1.4 Applying for Additional New Shares**

Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Shares regardless of the size of their present holding. If you wish to apply for Additional New Shares, please complete the relevant section on the accompanying Application Form specifying the number of Additional New Shares you wish to apply for.

As permitted by the Listing Rules, the Directors reserve the right to issue the Shortfall at their sole and absolute discretion. The Company does not guarantee that you will receive any Additional Shares you may apply for in excess of your Entitlement. The Company may reject, in whole or in part, any application for Additional Shares. Any offer of the Shortfall is made on the basis of this Prospectus.

If you do not receive all of the Additional Shares you applied for, any excess application monies will be returned to you (without interest).

Directors may apply for Additional Shares.

### **1.5 Use of proceeds**

Mako expects to raise approximately \$3,593,751 under the Rights Issue before Offer costs and will use the proceeds as set out in Section 2.

### **1.6 Actions Required by Shareholders**

An explanation of the actions required by Shareholders is set out in Section 4.

### **1.7 Allotment and Application Money**

All Eligible Shareholders who accept the Offer will receive their Entitlement in full.

New Shares will be issued only after all Application Money has been received and ASX has granted permission for the New Shares to be quoted. It is expected that New Shares will be issued on 5 August 2011 and trading of the New Shares on the ASX is expected to commence on 8 August 2011.

All Application Money received before New Shares are issued will be held in a special purpose account. After Application Money is refunded (if required) and New Shares are issued to Applicants, the balance of funds in the account plus accrued interest will be received by the Company. If the New Shares are not quoted by ASX within three months after the date of this Prospectus, Mako will refund all Application Money in full.

### **1.8 Closing Date**

The Closing Date for acceptance of your Entitlement is 5.00 pm on 2 August 2011. The Company reserves the right to cancel the Rights Issue at any time prior to allotment.

### **1.9 No Rights trading**

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse. See also section 1.4, *Applying for Additional Shares*.

### **1.10 Treatment of Overseas Shareholders**

The Offer in this Prospectus is not being extended to any Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand because of the small number of such Shareholders, and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand. The Prospectus is sent to those Shareholders for information only.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

Recipients may not send or otherwise distribute this Prospectus or the Application Form to any person outside Australia (other than to Eligible Shareholders).

### **1.11 Rights attaching to New Shares**

From issue, the New Shares issued under this Prospectus will rank equally in all respects with existing Shares. Summaries of the important rights attaching to Shares as set out in the Company's Constitution are contained in Section 6 of this Prospectus.

### **1.12 No prospective financial forecasts**

The Company is an exploration company. Given the speculative nature of exploration, mineral development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts cannot be prepared and accordingly have not included forecasts in this Prospectus.

**1.13 Summary only**

The information set out in this Section provides a summary of the information contained in this Prospectus. Applicants should read this Prospectus in its entirety prior to making a decision to accept the Offer. If you have any questions about investing in the Company, please contact your stockbroker, accountant or independent financial adviser.

## **Section 2 PURPOSE AND EFFECT OF THE RIGHTS ISSUE**

### **2.1 Purpose of the Rights Issue**

The net funds raised from the issue of New Shares through the Offer after payment of all associated costs, are expected to provide the Company with approximately \$3,330,313 in additional capital.

<b>Rights Issue Funds</b>	<b>AUD\$</b>
Rights Issue	3,593,751
Expenses of the Rights Issue	(263,438)
<b>Net of Funds</b>	<b>3,330,313</b>
<b>Use of Funds</b>	<b>AUD\$</b>
General working capital	2,260,313
Joint Venture management costs	400,000
Payment of liabilities and debts	670,000
<b>Total</b>	<b>3,330,313</b>

### **2.2 Effect of the Rights Issue**

If fully subscribed, the principal effects of the Rights Issue will be to:

- increase the Company's cash reserves by approximately \$3,330,313 after taking into account the costs of the Rights Issue;
- provide the Company with additional capital for the purposes referred to in section 2.1; and
- increase the total number of issued Shares (refer section 2.3).

Pro-forma consolidated historical financial information is provided in the following paragraphs summarising the effect of the Rights Issue.

### **2.3 Effect of the Rights Issue on capital structure**

If fully subscribed, the effect of the Rights Issue on the Company's issued share capital will be as follows:

<b>Ordinary Shares</b>	<b>Number</b>	<b>% Equity</b>
<b>Existing Shares</b>	125,781,286	77.78%
<b>Issue under Share Offer</b>	35,937,510	22.22%
<b>Totals</b>	<b>161,718,796</b>	<b>100%</b>

### **2.4 Effect of the Rights Issue on Mako's financial position**

Set out below is the unaudited Consolidated Balance Sheet of the Company as at 31 May 2011 and a pro forma Consolidated Balance Sheet of the Company after the Placement and Rights Issue (assuming the Rights Issue is fully subscribed).

The financial information prepared below is prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

## Mako Energy Limited

	Unaudited 31 May 2011	Unaudited Proforma 31 May 2011	Unaudited Proforma* 31 May 2011
	\$	\$	
<b>Current Assets</b>			
Cash and cash equivalents	1,703,831	1,585,461	3,375,173
Trade and other receivables	367,303	377,416	377,416
Deposits and prepaid expenses	92,764	855,764	855,764
<b>Total Current Assets</b>	<b>2,163,899</b>	<b>2,818,641</b>	<b>4,608,353</b>
<b>Non Current Assets</b>			
Property, plant and equipment	5,845,845	5,845,845	4,101,038
Exploration and evaluation assets	21,350,233	21,350,233	21,350,233
<b>Total Non Current Assets</b>	<b>27,196,078</b>	<b>27,196,078</b>	<b>25,451,271</b>
<b>Total Assets</b>	<b>29,359,977</b>	<b>30,014,719</b>	<b>30,059,624</b>
<b>Current Liabilities</b>			
Loans and borrowings	1,237,888	2,000,888	-
Trade and other payables	4,165,704	209,400	-
<b>Total Current Liabilities</b>	<b>5,403,592</b>	<b>2,210,288</b>	<b>-</b>
<b>Non Current Liabilities</b>			
Deferred income tax	905,747	905,747	-
Provisions	991,508	991,508	759,088
<b>Total Non Current Liabilities</b>	<b>1,897,255</b>	<b>1,897,255</b>	<b>759,088</b>
<b>Total Liabilities</b>	<b>7,300,847</b>	<b>4,107,543</b>	<b>759,088</b>
<b>Net Assets</b>	<b>22,059,130</b>	<b>25,907,176</b>	<b>29,300,536</b>
<b>Equity</b>			
Issued Capital	33,063,951	37,842,301	37,842,301
Reserves	10,561,829	10,561,829	10,561,829
Accumulated losses	(21,566,650)	(22,496,954)	(19,103,594)
<b>Total Equity</b>	<b>22,059,131</b>	<b>25,907,176</b>	<b>29,300,536</b>

*\*This Proforma Balance Sheet is prepared based on the Sale of the Provost Project for \$4M and the repayment of the liabilities and debts associated with the project.*

### 2.5 Market price of Shares

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

Highest: \$0.255 - 31 March 2011  
Lowest: \$0.110 – 24 June 2011

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 \$0.14.

### **Section 3 COMPANY INFORMATION**

#### **The Rock Creek Project**

The Rock Creek lands (**Lands**), Mako's flagship project, are located in West Central Alberta, Canada. The Lands cover an area of approximately 31,000 hectares (80,000 acres) comprising 123.3 sections. In February 2011, Mako entered into an equalisation and joint venture (**JV**) agreement with Woma Energy Limited (34% interest) and Warren Energy Limited (16% interest) with whom the Lands had been progressively acquired over the last 12 months. Recently Transerv Energy Limited acquired all of Woma Energy Limited and in June 2011 Kilgore Oil and Gas Limited announced their intention to acquire 100% of the issued capital in Warren Energy.

West Central Alberta has a long and significant production history of light oil, NGLs and gas since the mid 1950's. Recently, the development of horizontal drilling and multi-stage fracturing technologies, amongst others has led to significant renewed interest in the whole area. The shallower horizons of Cardium and Viking have generated competitive economic returns pushing land prices to between CAD\$1,000 and CAD\$10,000 per hectare are common for these horizons. Mako considers the Rock Creek play's pressure and fluid properties are analogous to those of the Bakken and exceed that of the Cardium and the Viking plays. The Rock Creek play is productive along its entire length, and has produced in excess of 20 million barrels ( MMbbl ) of liquids and one trillion cubic feet of gas ( TCF ) to date, using mildly stimulated vertical wells.

Rock Creek is an unconventional light oil formation predicted to emulate recent successes in Canada and the USA over the past 18 months using horizontal drilling and multiple stage fracturing techniques. Historically the play has not been exploited in the tighter sandstone areas due to the limited ability to exploit rock with low permeability using vertical or conventional drilling. This is despite the play being hydrocarbon bearing along its entire length. Recent reservoir modelling, and limited third party production figures indicates the potential for commercial production from Rock Creek through the implementation of the rapidly developing 'unconventional' technology which have been used successfully in the Bakken, Viking and Cardium plays, as well as many others in Canada and the USA.

Indeed several recent horizontal wells have been completed into the Rock Creek on lands adjacent to, or in the near vicinity of, the Lands and have recorded initial production rates out of between 200 and 1300 boepd, without taking into account NGLs.

In March 2011 the results of Mako's Rock Creek Resource Report (Resource Report) produced by Sproule Associates Limited were released. The Report was prepared in accordance with the Canadian Oil and Gas Evaluation Handbook with resource definitions consistent with the standards of National Instrument 51-101.

The Report was based upon Mako's landholdings at the time, which have since increased by 30% to ~30,000 hectares after the acquisition of a further 32.3 sections of Crown land. The Report attributed 115MMbbls of OIIP, net to Mako based only on the 91 sections owned at that date, not 123.3 as is currently the case.

A summary from the Report of the estimated undiscovered petroleum initially in place is outlined below.

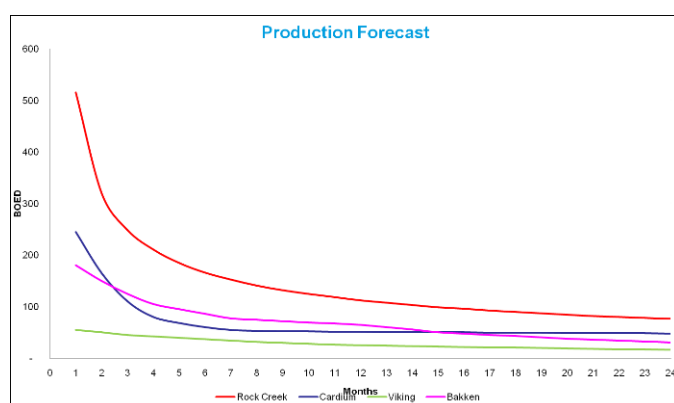
**Table 1. Gross Undiscovered Petroleum Initially in Place**

<b>Rock Creek Oil Project Resource – Gross Undiscovered Petroleum Initially-in-Place</b>				
	<b>3% porosity cut-off</b>		<b>6% porosity cut-off</b>	
	<b>OOIP (MMbbl)</b>	<b>OGIP (Bcf)</b>	<b>OOIP (MMbbl)</b>	<b>OGIP (Bcf)</b>
Mako (50%)	115.25	168.25	76.3	111.55
Transerv (34%)	78.37	114.41	51.88	75.85
Kilgore (16%)	36.88	53.84	24.42	35.7
<b>All (100%)</b>	<b>230.5</b>	<b>336.5</b>	<b>152.6</b>	<b>223.1</b>

Mako has forecast that due to higher pressure and NGL ratios as well as lower water saturation present in the Rock Creek reservoir, horizontal producers will record on average higher initial production and stabilised rates than the Bakken, Cardium and Viking wells, with expected well payout to be less than one year.

The table below illustrates the varying Production forecasts of different plays.

**Figure 1. Rock Creek Production Forecast**



Mako along with its JV partners are planning to farm down their interest to commence an initial 3- well drilling program at Rock Creek using horizontal wells with multi-stage fracs.

It is anticipated that this would be followed by a full 2012 drilling program.

### Recent Alberta Land Sales and the Duvernay Play

Recent record land sales conducted in Alberta have confirmed the Company's belief that its Lands are potentially a 'company making resource'.

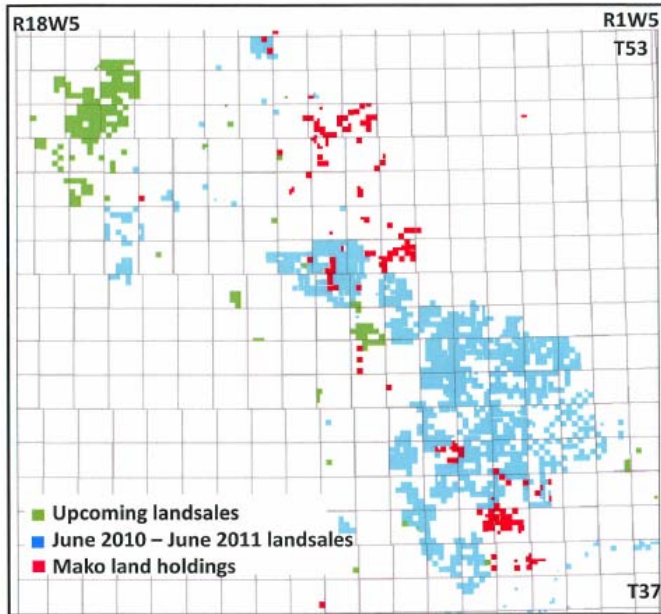
On 1 June 2011 North America's second largest producer of natural gas, Encana Corporation, participated in the ~CAD\$742M acquisition of the 'deep rights' to 497 sections (127,232 hectares) of land surrounding or contiguous with the majority of Mako's Lands. Of Mako's 123 sections of land in the vicinity of the sale, approximately 70 sections immediately adjoin or are contiguous with the land acquired at this sale. This sum set a new record for single land sale in Alberta.

Encana has since publically stated that this acquisition targets the Duvernay formation, a deeper shale play which it believes will yield NGL ('liquids') rich gas analogous to the Eagle Ford shale play in Texas. Encana has announced its intention to drill 3 to 4 wells into the Duvernay by the end of 2011.

Individual land parcels attracted prices of between CAD\$900-\$14,000 per hectare with a regional average of \$5,800 per hectare. Mako now holds a strategic land position in this developing play with little remaining prospective open Crown land.

Applying the values recently obtained in the Alberta land sales Mako's management estimates a raw land backed per issued share value of CAD\$0.45 for its regional land base and other assets.

**Figure 2. Alberta Land Sales and Mako Land Holdings Map**



## The Provost Project

The Provost Project ("Provost") is Mako's initial early production asset and comprises ~112 hectares of land located in Alberta, Canada. Provost involves bringing into production and subsequent expansion (through additional development drilling) of 2 previously discovered Dina oil pools. Mako has estimated up to 5.4 MMbbls of medium-heavy gravity OIIP.

Testing commenced in October 2010 on 3 wells at Provost that were previously shut-in by prior operators. Of the 3 wells tested, 2 wells were re-activated and are currently producing at a rate of 17 barrels of oil per day. The third well experienced down-hole operational complications and it was deemed more economical to drill new wells as opposed to repairing the existing well.

The Company engaged Sproule Associates Limited to prepare a year-end reserves results (NI-51-101 compliant) as of December 31, 2010 (Reserves Report). This report presents the Sproule independent assessment of the reserves (using forecast prices and costs) of the Company.

The following table presents the results of the Sproule report.

Economic Summary												
Net To Appraised Interest												
Description	Reserves								Cumulative Cash Flow (BIT) - M\$			
	Oil		Gas		Ngl's							
	(MSTB)		(MMscf)		(MBbls)		(MBOE)		Discounted at:			
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Undisc.	5%/year	10%/year	15%/year
Proved Developed Producing	32.7	30.6	110.0	127.0	0.5	0.4	51.5	52.1	1,526	1,245	1,052	913
Proved Developed Non-Producing	4.2	3.7	0.0	0.0	0.0	0.0	4.2	3.7	73	71	69	66
Proved Undeveloped	91.7	74.8	0.0	0.0	0.0	0.0	91.7	74.8	2,871	2,546	2,271	2,037
<b>Total Proved</b>	<b>128.6</b>	<b>109.1</b>	<b>110.0</b>	<b>127.0</b>	<b>0.5</b>	<b>0.4</b>	<b>147.4</b>	<b>130.7</b>	<b>4,470</b>	<b>3,862</b>	<b>3,392</b>	<b>3,016</b>
<b>Total Probable</b>	<b>21.6</b>	<b>17.9</b>	<b>27.0</b>	<b>27.0</b>	<b>0.1</b>	<b>0.1</b>	<b>26.1</b>	<b>22.4</b>	<b>1,026</b>	<b>790</b>	<b>641</b>	<b>539</b>
<b>Total Proved Plus Probable</b>	<b>150.2</b>	<b>127.0</b>	<b>137.0</b>	<b>154.0</b>	<b>0.6</b>	<b>0.5</b>	<b>173.5</b>	<b>153.1</b>	<b>5,496</b>	<b>4,652</b>	<b>4,032</b>	<b>3,555</b>

In view of the focus which will be required to adequately realise the potential of both the Rock Creek and Duvernay prospects, the Company has determined to realise the value in this asset in the foreseeable future. This may involve an opportunistic sale, or one at some point in the next 8 months once 1-3 additional development wells have been drilled to enhance its value. The Company has received an independent engineering valuation of \$4.2M based on the current asset with no further development work. Any further development of the Provost asset will be funded from institutional debt drawn against the additional production and value arising from that development. The Company has received adequate assurance that this facility would be available.

### **3.1 Information on Directors**

#### **Mr George Watson (Chairman)**

Mr Watson has been a respected Calgary 'oilman' for more than 35 years including various senior responsibilities at Dome Petroleum and as CEO of Intensity Resources Ltd.

He is the Chairman and founder of Critical Control Solutions Corp. He was the President and CEO of TransCanada Pipelines Ltd. (one of Canada's most significant companies with interests in pipelines, gas storage, power generation and energy with current assets in excess of CAD\$46 Billion) from March 1993 to July 1999. Prior to his role as CEO of TransCanada, Mr. Watson also served as CFO (from June 1990 to March 1993).

As a sought after board member in the oil patch he also currently sits on the boards of Teekay LNG LLP, Badger Income Trust, Fortress Energy Inc., Canadian Spirit Energy Inc., and Poplar Creek Resources Inc.

Former directorships include the Conference Board of Canada, the Interstate Natural Gas Association of America, the Canadian Energy Pipelines Association, Queen's University, Calgary Olympic Development Association (CODA), Equatorial Energy Inc., Puget Energy Inc., TGS North American Real Estate Investment Trust, TransCanada Pipelines and subsidiaries, as well as the Toronto Dominion Bank plus many other small entities.

Mr. Watson holds a Bachelor of Science (Engineering) degree and MBA from Queens University, as well as, an A.M.P. from Harvard, and has completed the Stanford Law School Director's Program.

#### **Simon Owen (Executive Vice Chairman)**

Simon Owen has over 22 years of experience as a corporate and commercial lawyer and corporate advisor with particular focus upon business development. Commencing with Blake Dawson Waldron in 1988, he has held positions as in-house counsel for JLV Industries Pty Ltd, a principal of his own firms for 10 years and subsequently as a consultant for Tottle Christensen and a partner of Gadens Lawyers (WA). He currently heads the Corporate division of Gadens Lawyers (WA).

He has acted as an Executive Chairman for Pharmaust Limited and Non-Executive Chairman of Fulcrum Equity Ltd. He has been engaged as Executive Director of Paramount Australia Limited and Grain Biotech Australia Pty Ltd. He has also acted as both Executive director and Non-Executive director for a number of other unlisted public and private companies.

In his capacity as a legal and corporate advisor he has over 20 years experience in the resources industry both within Australia and internationally. His various roles (both as an advisor and a Chairman/Director) have provided extensive experience in strategic planning, corporate finance, negotiating and structuring acquisitions, establishing and managing joint ventures and regulatory compliance in various jurisdictions.

**Robert Paul Griese (Managing Director)**

Paul Griese has over 25 years experience as a finance and restructuring lawyer and business advisor. Serving in executive positions within a major US financial institution (Metropolitan Life Insurance Company) and subsequently with a European based private equity firm (Plaza B.V.). He has led major, multi-national finance and restructuring projects across a broad range of industries including, infrastructure, real estate, insurance, transportation and natural resources.

As the senior operating officer of a merchant banking unit and currently as principal of an advisory firm, Mr. Griese has led the formulation and growth of banking, technology, mining and commercial property development companies with particular expertise in the area of emerging markets and cross border securities and finance.

In addition to his securities experience, as a former general counsel to a Canadian financial institution Mr. Griese has demonstrated exceptional negotiation and structuring skills and has successfully executed a variety of human resource and administrative roles.

Mr Griese has served in the capacity of executive and non-executive director of several listed and non-listed companies, audit committee chair, lobbyist and investment advisory chair. Mr. Griese is currently a principal of a business advisory company and a director of Harness Petroleum Inc.

**Graham Anderson (Non-Executive Director)**

Mr Graham Anderson is a graduate of Curtin University and has over 26 years' commercial experience as a Chartered Accountant. He operates his own specialist accounting and management consultancy practise, providing a range of corporate advisory and audit services to both public and private companies. From 1990 to 1999 he was an audit partner at Horwath Perth.

He is a Director and Company Secretary of a number of listed and unlisted public companies in both the resource and industrial sectors. He is a Director of Echo Resources Limited, Pegasus Metals Limited, APA Financial Services and Tangiers Petroleum Limited and is Company Secretary of a number of other ASX listed companies.

**Curtis Hartzler (Non-Executive Director)**

Curtis Hartzler is an Engineer with more than 35 years of experience in oil and gas operations, evaluations and senior management roles for both private and public Canadian energy companies.

Prior to Harness, Mr Hartzler was the founding President and CEO of G2 Resources Inc. from 2005 to 2009, a TSX listed junior oil and gas company with a focus on gas in the Deep Basin area of west-central Alberta. From 2003 to 2005, Mr Hartzler was the founding President and CEO of Goose River Resources Ltd., which developed and optimized an oil pool at Redwater, Alberta, earning an 80%+ rate of return for the shareholders.

From 2001 to 2003 Mr Hartzler served as Chairman of the Advisory Board for Rosetta Exploration Ltd., a public oil and gas exploration company with a mandate to explore for large oil and gas accumulations in the Western Canadian Sedimentary Basin. This responsibility included the assembly of a group of technical experts who reviewed the geological, geophysical and engineering aspects of the exploration projects and presented their recommendations to the Rosetta Board of Directors.

In 1991 Mr Hartzler was President of Birchill Resources Ltd., a private oil and gas company. He was hired to recruit new staff and rebuild a falling investment of \$60

million which had deteriorated to a value of \$30 million. By 2001 when the company was sold, the company had grown to a value of \$250 million while returning \$120 million of dividends and was producing 8500 boepd.

Mr Hartzler graduated from the University of Calgary with a Bachelor of Science in Mechanical Engineering in 1972 and received his designation of Professional Engineer and a member of the Association of Professional Engineers, Geologists, and Geophysicists (APEGGA) in 1974.

## **Section 4 ACTION REQUIRED BY SHAREHOLDERS**

### **4.1 What Eligible Shareholders may do**

The number of New Shares to which Eligible Shareholders are entitled (your Entitlement) is shown on the accompanying Application Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted.

As an Eligible Shareholder, you may:

- take up all of your Entitlement (refer Section 4.2);
- apply for Additional New Shares (refer Sections 4.3 and 1.4);
- take up part of your Entitlement and allow the balance to lapse (refer Section 4.4);
- allow all your Entitlement to lapse (refer section 4.5).

Other Shareholders (i.e. those without a registered address in Australia or New Zealand) may not take any of the steps set out in Sections 4.2 to 4.5.

### **4.2 Taking up all of your Entitlement**

If you wish to take up all of your Entitlement, complete the accompanying Application Form for New Shares in accordance with the instructions set out in that form.

You should then forward your completed Application Form together with your Application Money in accordance with Section 4.9 to reach the Company's Share Registry no later than 5.00 pm on 2 August 2011.

### **4.3 Applications for Additional New Shares**

Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Shares as described in Section 1.4. If you wish to apply for Additional New Shares, please complete the accompanying Shortfall Application Form specifying the number of Additional New Shares you wish to apply for.

A single cheque should be used for the Application Money for your Entitlement and the number of Additional New Shares you wish to apply for as stated on the Application Form.

### **4.4 Taking up part of your Entitlement and allowing the balance to lapse**

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the accompanying Application Form for the number of New Shares you wish to take up and follow the steps required in accordance with Section 4.2. If you take no further action, the balance of your Entitlement will lapse.

### **4.5 Allow all of your Entitlement to lapse**

If you wish to allow all your Entitlement to lapse then you need to take no further action on relation to this Offer whatsoever.

#### **4.6 Payment**

The Application Price for New Shares is payable in full on application by a payment of 10 cents per New Share. The Application (including Additional New Shares) Form must be accompanied by a cheque or bank draft for the Application Monies.

Cheques or bank drafts must be drawn in Australian currency on an Australian bank and made payable to **"Mako Energy Limited - Subscription Account"** and crossed "Not Negotiable". Applicants must not forward cash. Receipts for payment will not be issued.

You should ensure that sufficient funds are held in relevant account(s) to cover the cheque(s). If the amount of your cheque(s) for Application Money is not sufficient to pay for the number of New Shares you have applied for, you may be taken to have applied for such lower number of New Shares as your cleared Application Money will pay for or your Application may be rejected.

**CHEQUES SHOULD BE MADE PAYABLE TO  
"MAKO ENERGY LIMITED - SUBSCRIPTION ACCOUNT"  
AND CROSSED NOT NEGOTIABLE.**

Alternatively, if you are paying by Bpay, refer to your personalised instructions on your Application Form.

#### **4.7 Enquiries**

If you have any questions about your Entitlement please contact the Company's Share Registry on +61 (08) 9315 2333.

Alternatively, contact your stockbroker or other professional adviser.

#### **4.8 Brokerage**

No brokerage or stamp duty is payable by Shareholders who accept (all or part of) their Entitlement to New Shares (in respect of those New Shares).

## **Section 5 RISK FACTORS**

### **5.1 General**

An investment in the Company is not risk free and investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares.

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

### **5.2 Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

### **5.3 Market conditions**

The market price of New Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### **5.4 Security Investments**

Applicants should be aware that there are risks associated with any investment in New Shares. Securities listed on the stock market, and in particular shares of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of those companies. These factors may materially affect the market price of the New Shares regardless of the Company's performance.

Oil exploration and development are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient development facilities, competent operation and management and proficient financial management.

Exploration in itself is a speculative endeavour, while oil operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

### **5.5 Exploration and Evaluation Risks**

The success of the Company depends on the discovery of economic reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and development permits and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration permits may be unsuccessful, resulting in a reduction of the value of those permits, diminution in tenements cash reserves of the Company and possible relinquishment of the exploration permits.

## **5.6 Commodity Price and Exchange Rate Risks**

To the extent the Company may be involved in oil production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for hydrocarbons, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

## **5.7 Environmental Risks**

The operations and proposed activities of the Company are subject to Canadian laws and regulations concerning the environment. As with most exploration projects and oil production operations, the Company's activities are expected to have an impact on the environment, particularly if production proceeds. The Company seeks to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

## **5.8 Sovereign Risk**

Investment in a foreign country can always carry regulatory and administrative risks. Any material adverse changes in government policies, legislation, regulation or the processes which affect the various activities of the Company may affect the viability and profitability of the Company or the assumptions and expectations set out in this Prospectus.

## **5.9 Joint Venture Parties, Agents and Contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

## **5.10 Future Capital Requirements**

The Company's activities will require substantial expenditures. There can be no guarantees that these funds will be raised and the funds raised under this Prospectus will only make a modest contribution to working capital requirements. There is no immediate prospect that the Company will be able to raise sufficient funds to successfully achieve all the objectives of the Company's overall business strategy, or any single one of them. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer there can be no assurances that the Company will have sufficient capital resources for the Company to continue any activities, or that it will be able to obtain any additional resources on terms acceptable to the Company, or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities and the price of its Shares.

#### **5.11 Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

#### **5.12 Resource Estimations**

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations and the price of its Shares.

#### **5.13 Reliance on Key Personnel**

The Company's success depends largely on the core competencies of its directors and management, and their familiarisation with, and ability to operate, in the metals and mining industry and the Company's ability to retain its key executives.

## **Section 6 ADDITIONAL INFORMATION**

### **6.1 Nature of the Prospectus**

This Prospectus is a short form prospectus issued under section 713 of the Corporations Act which allows the issue of a short form prospectus in relation to offers of securities where those securities are of a class which have been quoted for twelve months before the date of that prospectus.

### **6.2 Further documents**

As a disclosing entity, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, ASIC's office. In addition, any person considering this offer is entitled to receive a copy of the most recently lodged annual financial report and any continuous disclosure notices given by the Company after the lodgement of that financial report. The Company will give copies of those documents to any person who requests them free of charge.

### **6.3 ASX listing**

The Company participates in CHESS and will despatch holding statements in lieu of share and option certificates that set out the number of New Shares issued to each successful Applicant under this Prospectus.

It is the responsibility of Applicants to determine their allocation before trading in the New Shares. Applicants who sell New Shares before they receive their statement do so at their own risk.

### **6.4 Rights attaching to New Shares**

The rights attaching to ownership of Shares (including New Shares) are:

- described in the Constitution; and
- regulated by the *Corporations Act*, the Listing Rules and the general law.

The following is a summary of the key provisions in the Constitution and the principal rights of shareholders as set out in the Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of shareholders.

#### **6.4.1 Meetings and notices**

Each shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, financial reports and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

#### **6.4.2 Voting**

At meetings of shareholders, every shareholder present in person or by proxy, attorney or representative has one vote on a vote taken by a show of hands, and, on a poll has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid Share. A poll may be demanded by the chairperson of the meeting, by any five shareholders present in person or by proxy, attorney or representative or by any one or more shareholders who are

together entitled to not less than 5% of the votes that may be cast on the resolution on a poll.

#### **6.4.3 Dividends**

Dividends are payable out of the Company's profits and are declared or determined to be payable by the Directors.

#### **6.4.4 Transfer**

A shareholder may transfer all or any of its Shares by:

- in the case of an ASTC-regulated transfer, in any manner required or permitted by the Listing Rules or ASTC Settlement Rules;
- in other cases, using any written transfer instrument in any common form or form approved or adopted by ASX or the Directors; and
- The Directors may decline to register any transfer where permitted to do so by the Listing Rules and must decline to register a transfer of Shares where required by the Listing Rules.

#### **6.4.5 Liquidation Rights**

The Company has one class of shares on issue, ordinary shares. Each ordinary Share ranks equally in the event of liquidation.

#### **6.4.6 Variation of Rights**

Subject to the Listing Rules, the rights attached to the Shares may be varied with the consent in writing of shareholders holding three-quarters of the Shares or by a special resolution passed at a separate meeting of the holders of the Shares in accordance with the Corporations Act.

The Directors may, subject to the restrictions on allotment of shares imposed by the Constitution, the Corporations Act and the Listing Rules, from time to time issue and allot further shares on such terms and conditions as they see fit.]

### **6.5 Alteration of constitution**

The Constitution can only be amended by a special resolution (that is, a resolution that has been passed by at least three-quarters of the votes cast by shareholders entitled to vote on the resolution). While the Company is listed, at least 28 days written notice of the special resolution must be given.

### **6.6 Indemnification of Directors**

To the extent permitted by law, the Company indemnifies every person who is or has been an officer of the Company and indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by the person as an officer of the Company.

### **6.7 Taxation**

The Directors consider that it is not appropriate to give advice regarding the taxation consequences associated with the acquisition, sale or exercising of Rights, or the

subsequent disposal of any New Shares subscribed for under this Prospectus. The Directors recommend that all Eligible Shareholders consult their own professional tax advisors.

## **6.8 Material Contracts**

### **Carmichael Corporate Mandate**

On 29 June 2011, Carmichael Corporate entered into a Mandate with the Company to undertake the services of Lead manager in relation to both a placement to be undertaken by the Company as well as this Rights Issue.

The engagement is on usual industry terms and conditions and in return for the services, Carmichael Corporate will receive:

- A fee of 6% (plus GST) of all placement funds raised through Carmichael Corporate;
- A further fee is to be paid in options. The number of options to be issued will be 6% of the shares issued through placement funds raised through Carmichael Corporate. The options will have an exercise price of \$0.25 per option and an expiry date of 30 November 2013.
- A fee of 6% of all funds raised by Carmichael Corporate with respect to placement of any Shortfall;
- A further fee is to be paid in options. The number of options to be issued will be 6% of the shares issued through placement of any Shortfall raised through Carmichael Corporate. The options will have an exercise price of \$0.25 per option and an expiry date of 30 November 2013.; and
- All out of pocket expenses including legal fees incurred in undertaking the placement of this Issue.

### **Commitment on Shortfall**

Mr George Watson has committed to subscribe for 1M shares (\$100,000) on the Rights Issue Shortfall.

Mr Graham Anderson has committed to subscribe for 1M shares (\$100,000) on the Rights Issue Shortfall.

The directors will not receive a fee for this commitment.

## **6.9 Privacy**

If you apply for New Shares, you will provide personal information to the Company. Company laws and tax laws require some of the information to be collected and kept. The Company will collect, hold and use the information provided by you to process your application and to administer your investment in the Company.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process your application.

The Company may disclose your personal information for purposes related to your investment to the Company's agents and service providers. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the shareholder register,

- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- the Underwriter to confirm applications; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising, on the Shares and for associated actions.

The Company complies with its legal obligations under the Privacy Act 1988 (Cth).

You may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

#### **6.10 Information Available to Shareholders**

As a disclosing entity, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. In addition, any Shareholder considering this Offer is entitled to receive a copy of the following documents, free of charge, during the period up to and including the Closing Date:

- (a) the 30 June 2010 Annual Report of Mako and the half yearly ending 31 December 2010 which contains the financial statements; and
- (b) the following documents notifying ASX of information relating to Mako after the lodgement of that Annual Report and half yearly report with ASX and before the issue of this Prospectus:

<u>Date</u>	<u>Announcement</u>
24 June 2011	Successful Placement and Opening of Rights Issue
22 June 2011	Trading Halt
16 June 2011	Alberta Crown Land Sale Update
7 June 2011	Alberta Crown Land Sale Sets Record
3 June 2011	Trading Halt
1 June 2011	KOG: Significant Acquisition of Oil Asset – New Investor Syndicate
9 May 2011	Management and Board Appointments
29 April 2011	Quarterly Activities and Cashflow Report
15 April 2011	TSV: Alberta/Rockel Project Update
15 April 2011	Additional Land Acquisition and Joint Venture
4 April 2011	Terms and Conditions - Warrants
4 April 2011	Terms and Conditions – Liquidity Entitlements
4 April 2011	Appendix 3B
16 March 2011	Half Yearly Accounts
15 March 2011	Evaluation of the Oil and Natural Gas Reserve
9 March 2011	Rockel Project Updated Resource Report
7 March 2011	Rockel Project Resource Report
22 February 2011	Kaybob and Provost Update

18 February 2011	Trading Halt
17 February 2011	Change in substantial holding x 3
16 February 2011	Becoming a substantial holder
11 February 2011	Initial Director`s Interest Notice x 2
11 February 2011	Kaybob Drilling Update and Acquisition of Further Lands
7 February 2011	Board Appointments
3 February 2011	Ceasing to be a substantial holder
31 January 2011	Quarterly Activities and Cashflow Report
27 January 2011	Change in substantial holding
24 January 2011	708A Cleansing Statement
24 January 2011	Appendix 3B
20 January 2011	Passing of V.P. Exploitation
20 January 2011	708A Cleansing Statement
20 January 2011	Appendix 3B
20 January 2011	Mako Announces Completion of Equity Financing
18 January 2011	708A Cleansing Statement
18 January 2011	Appendix 3B
17 January 2011	Kaybob Drilling Update
12 January 2011	Form 603 and Form 605
4 January 2011	Appendix 3B
4 January 2011	Change in substantial holding

#### **6.11 Interests of Directors**

(a) At the date of this Prospectus the relevant interests of each of the Directors, or their related parties, in the Shares of the Company are as follows:

	<b>Ordinary Shares</b>	<b>Options</b>
George Watson	1,495,242	250,000
Simon Owen	14,750,000	15,000,000
Robert Paul Griesse	7,623,739	15,000,000
Graham Anderson	750,733	7,500,000
Curtis Hartzler	2,087,710	3,000,000

b) Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash or Shares or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Rights Issue.

Details of remuneration provided to Directors and their associated entities during the past two financial years are as follows:

<b>Financial Year up to 30 June 2010</b>			
<b>Director</b>	<b>Directors' Fees/ Salary/Superannuation (\$)</b>	<b>Equity (\$)</b>	<b>Total (\$)</b>
Graham Anderson	24,000	-	24,000
<b>Financial Year up to 30 June 2009</b>			
<b>Director</b>  <b>(*those who were directors in the previous year)</b>	<b>Directors' Fees/ Salary/Superannuation (\$)</b>	<b>Equity (\$)</b>	<b>Total (\$)</b>
Graham Anderson	2,000	-	2,000

- 1) Mr George Watson was appointed as Director on 7 February 2011 and therefore did not receive any remuneration during the year ending 30 June 2009 and 2010. Mr George Watson was appointed as the Chief Executive Officer on 9 May 2011 with remuneration package of CAD\$150,000 per annum.
- 2) Mr Simon Owen was appointed as Director on 2 July 2010 and therefore did not receive any remuneration during the year ending 30 June 2009 and 2010. A related party to Mr Simon Owen receives \$10,000 per month for supplying his services as Executive Vice Chairman of the Company.
- 3) Mr Robert Paul Griese was appointed as Managing Director on 2 July 2010 and therefore did not receive any remuneration during the year ending 30 June 2009

and 2010. A related party to Mr Robert Giese receives \$15,000 per month for supplying his services as Managing Director of the Company.

- 4) Mr Curtis Hartzler was appointed as Director on 7 February 2011 and therefore did not receive any remuneration during the year ending 30 June 2009 and 2010. Mr Hartzler received CAD\$87,500 as President and CEO of Mako Energy Canada Limited.

## **6.12 Interests of Named Persons**

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash or Shares or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue.

Gadens Lawyers is acting as Solicitor to the Company and for this is being paid fees of approximately \$20,000 (plus GST). Gadens Lawyers has received \$35,466 in fees in respect of legal services provided to the Company for the financial year ended 2010. Gadens Lawyers did not receive any fees in the financial year ended 2009.

Mr Simon Owen is an employee of Gadens Lawyers.

### **6.13 Expenses of the Rights Issue**

The approximate expenses of the Rights Issue are as follows:

(a)	Legal fees	\$20,000
(b)	ASIC lodgement fees	\$2,100
(c)	Brokerage fees	\$215,338
(d)	ASX listing fees	\$10,000
(e)	Share Registry, Printing, mailing and sundries	\$6,000
(f)	Consulting fees	\$5,000
(e)	Other	\$5,000
	<b>Total</b>	<b>\$263,438</b>

These expenses are payable by the Company.

### **6.14 Consents**

Each of the parties referred to in this Section 6.14:

(a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 6.14;

(b) was not involved in the preparation of any part of this Prospectus and makes no express or implied representation or warranty in relation to the Company, this Prospectus or the Offer; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 6.14.

Each of the following has consented to being named in this Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

(a) Grant Thornton Audit Pty Ltd in its capacity as auditor of the Company;

(b) Gadens Lawyers as solicitors to the Rights Issue; and

(c) Security Transfer Registrar as share registrar to the Company.

### **6.15 Electronic prospectus**

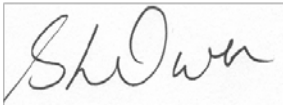
Pursuant to class order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of Shares in response to an electronic application, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have the entire Prospectus accompanied by the Application Form. If you have not, please e-mail the Company at **judi@makoenenergy.com.au** and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or Application Form or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided with an entire copy of the Prospectus and any relevant supplementary or replacement material or any of those documents were incomplete or altered. In such case, the Application monies received will be dealt with in accordance with section 722 of the Corporations Act.

### **6.16 Directors authorisation**

This Prospectus is authorised by Mako and is lodged with the ASIC pursuant to section 718 of the Corporations Act. Each Director of Mako has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC under the terms of the section 720 of the Corporations Act.



**Mr Simon Owen**  
**Executive Vice Chairman of Mako Energy Limited**  
**on behalf of the Board**  
DATED 1 July 2011

## **Section 7 KEY DEFINITIONS AND TIMES**

**"Additional New Shares"** means New Shares in addition to an Eligible Shareholder's Entitlement for which an Applicant makes an Application.

**"Applicant"** means a person who submits an Application.

**"Application"** means a valid application made to subscribe for New Shares in accordance with the Offer.

**"Application Form"** means the application form attached to or accompanying this Prospectus that sets out the Entitlement of Shareholders to subscribe for New Shares pursuant to the Rights Issue, and where the context permits also includes the Shortfall Application Form.

**"Application Money"** means monies received from persons applying for New Shares pursuant to the terms of the Offer.

**"Application Price"** means 10 cents per Share.

**"ASIC"** means Australian Securities & Investments Commission.

**"ASTC"** means ASX Settlement and Transfer Corporation Pty Ltd.

**"ASX"** means ASX Limited ACN 008 624 691 or as applicable, the Australian Securities Exchange.

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

**"CHESS"** means ASX Clearing House Electronic Sub-registry System.

**"Closing Date"** means 2 August 2011 or such other date as may be determined by the Directors and the Underwriters under this Prospectus.

**"Company"** and **"Mako"** means Mako Energy Limited ACN 009 218 955, and where relevant, its subsidiary companies.

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

**"Corporations Act"** means the Corporations Act 2001 (Commonwealth).

**"Directors"** means the directors of the Company.

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

**"Eligible Shareholder"** means a Shareholder whose registered address is in Australia or New Zealand.

**"Entitlement"** means a Shareholder's entitlement to subscribe for New Shares pursuant to the Offer.

**"Issue"** means the issue of New Shares under this Prospectus.

**"Joint Venture"** means a joint venture formed under a joint operating agreement dated 7 February 2011 between Mako (50%), Woma Energy Limited (34%) and Warren Energy Limited (16%).

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

**"New Share"** means a fully paid ordinary share in the capital of the Company to be issued under this Prospectus.

**"Offer"** means the offer of 1 New Share for every 3.5 existing Shares held at the Record Date at an issue price of 10 cents per New Share.

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

**"Placement"** means the placement of 15,250,000 shares in the Company to sophisticated investors announced to the ASX on 24 June 2011.

**"Prospectus"** means the prospectus constituted by this document.

**"Record Date"** means 5pm on 12 July 2011.

**"Rights"** means the right to subscribe for New Shares under this Prospectus.

**"Rights Issue"** has the same meaning as the Offer.

**"SCH Business Rules"** means the business rules of the securities clearing house which operates CHESS.

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

**"Shareholder"** means the holder of a Share registered on the Record Date.

**"Shortfall"** means the aggregate Shortfall Shares, or some of them.

**"Shortfall Application Form"** means the application form attached to or accompanying this Prospectus that enables Shareholders to apply for New Shares in addition to their respective Entitlements.

**"Shortfall Shares"** means New Shares for which successful valid applications have not been received by the Closing Date.

All **times** specified in this Prospectus are Western Standard Times.