

Marion Energy Limited

ABN 99 000 031 292

Notice of Extraordinary General Meeting

An Extraordinary General Meeting of shareholders of Marion Energy Limited (**Company**) will be held at Mantra on Little Bourke Street, Level 3, 451 Little Bourke Street, Melbourne at 11.00 am (AEST) on 19 June 2014 (**Meeting**).

The Explanatory Memorandum which accompanies this notice (**Notice of Meeting**) (and forms part of it) provides additional information on a number of matters to be considered at the Meeting.

AGENDA

Ordinary Business

Annual Financial Report – 2011

“To receive and consider the Annual Financial Report of the Company and its controlled entities and the reports of the Directors and of the Auditors for the financial year ended 30 June 2011.”

The Company’s auditor will be present at the Meeting to answer questions regarding the Auditor’s Report.

Annual Financial Report – 2012

“To receive and consider the Annual Financial Report of the Company and its controlled entities and the reports of the Directors and of the Auditors for the financial year ended 30 June 2012.”

The Company’s auditor will be present at the Meeting to answer questions regarding the Auditor’s Report.

Annual Financial Report – 2013

“To receive and consider the Annual Financial Report of the Company and its controlled entities and the reports of the Directors and of the Auditors for the financial year ended 30 June 2013.”

The Company’s auditor will be present at the Meeting to answer questions regarding the Auditor’s Report.

Resolution 1. Adoption of Remuneration Report – 2011

To consider and, if thought fit, to pass the following resolution:

*“To adopt the Remuneration Report for the year ended 30 June 2011 submitted as part of the Directors’ Report for the financial year ended 30 June 2011, pursuant to sections 250R(2) and 250R(3) of the Corporations Act 2001 (**Corporations Act**).”*

Please note that the vote on this item is advisory only and does not bind the Directors of the Company or the Company.

Voting Exclusion Statement: *In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast by, or on behalf of, a member of the Company’s Key Management Personnel whose remuneration details are included in the Remuneration Report ("**KMP**") or a closely related party of a KMP, whether the votes are cast as a shareholder, proxy or in any other capacity, and the Company will disregard any such vote.*

However, the Company will not disregard a vote cast by a KMP or closely related party of a KMP if:

- (a) the person is acting as proxy appointed by writing that specifies how the proxy is to vote on the resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on the resolution as described above; or
- (b) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Company's KMP.

If you are a KMP or a closely related party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as described above), you may commit an offence by breaching the voting restrictions that apply to you under the Corporations Act.

A closely related party of a member of the Company's KMP means any of the following:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependant of the member or of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- a company the member controls; or
- a person prescribed by regulations (as at the date of this Notice, no such regulations have been prescribed).

The proxy form accompanying this Notice contains detailed instructions regarding how to complete the proxy form if a shareholder wishes to appoint the Chairman as his or her proxy and to authorise the Chairman to vote on the resolution to adopt the Remuneration Report. You should read those instructions carefully.

Resolution 2. Adoption of Remuneration Report – 2012

To consider and, if thought fit, to pass the following resolution:

“To adopt the Remuneration Report for the year ended 30 June 2012 submitted as part of the Directors' Report for the financial year ended 30 June 2012, pursuant to sections 250R(2) and 250R(3) of the Corporations Act 2001 (Corporations Act).”

Please note that the vote on this item is advisory only and does not bind the Directors of the Company or the Company.

Voting Exclusion Statement: The same voting exclusions apply to this Resolution 2 as apply to Resolution 1.

Resolution 3. Adoption of Remuneration Report – 2013

To consider and, if thought fit, to pass the following resolution:

“To adopt the Remuneration Report for the year ended 30 June 2013 submitted as part of the Directors' Report for the financial year ended 30 June 2013, pursuant to sections 250R(2) and 250R(3) of the Corporations Act 2001 (Corporations Act).”

Please note that the vote on this item is advisory only and does not bind the Directors of the Company or the Company.

Voting Exclusion Statement: The same voting exclusions apply to this Resolution 3 as apply to Resolution 1.

Resolution 4. Re-Election of Director – Mr Karel Louman

To consider and, if thought fit, to pass the following Resolution:

“That Mr Karel Louman who retires in accordance with clause 6.3(c) of the Company's Constitution, being eligible, is elected as a Director of the Company”

Information about the candidate is set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Resolution 5. Re-Election of Director – Mr Jeffrey Clarke

To consider and, if thought fit, to pass the following Resolution:

“That Mr Jeffrey Clarke who retires in accordance with clause 6.3(c) of the Company’s Constitution, being eligible, is elected as a Director of the Company”

Information about the candidate is set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Resolution 6. Election of Director – Mr Stephen Watts

To consider and, if thought fit, to pass the following Resolution:

“That Mr Stephen Watts who, having been appointed as a Director in accordance with clause 6.2 (b) of the Company’s Constitution, being eligible, is elected as a Director of the Company in accordance with clause 6.3(j) of the Company’s Constitution.”

Information about the candidate is set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Resolution 7. Election of Director – Mr Nicholas Stretch

To consider and, if thought fit, to pass the following Resolution:

“That Mr Nicholas Stretch who, having been appointed as a Director in accordance with clause 6.2 (b) of the Company’s Constitution, being eligible, is elected as a Director of the Company in accordance with clause 6.3(j) of the Company’s Constitution.”

Information about the candidate is set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Special Business

Resolution 8 – Consolidation of Shares

To consider and, if thought fit, to pass the following Resolution:

“That in accordance with section 254H(1) of the Corporations Act and with immediate effect, the issued capital of the Company be consolidated on the basis that every 10 shares in the capital of the Company be consolidated into one ordinary share, on the terms and conditions set out in the Explanatory Memorandum.”

Resolution 9 – Approval for issue of options to KM Custodians

To consider and, if thought fit, to pass the following Resolution:

“That for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue to KM Custodians of 221,055,405 options with an exercise price of \$0.003 and an expiry date which is two years from the date the Company is re-listed on ASX, for the consideration and on the further terms and conditions set out in the Explanatory Memorandum (First KM Issue).”

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of options that may be issued if this Resolution 9 is approved will be 22,105,541.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of KM Custodians, if it exercises all Options held by it and no Options held by other persons are exercised will be 22.44%, and if all other Options are exercised will be 14.3%. KM Custodians has informed the Company that it will not exercise any Options if doing so would result in it contravening section 606 of the Corporations Act 2001 (Cth).

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 9 by any person to whom KM Options are proposed to be issued, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.*

Resolution 10 – Ratification of prior issue of options to KM Custodians

To consider and, if thought fit, to pass the following Resolution:

*"That for the purpose of ASX Listing Rule 7.4 and all other purposes Shareholders ratify the issue of 43,449,967 options with an exercise price of \$0.003 and an expiry date which is two years from the date the Company is re-listed on ASX, for the consideration and on the further terms and conditions set out in the Explanatory Memorandum (**Second KM Issue**)."*

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of options to which this Resolution 10 relates will be 4,344,997.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of KM Custodians, if it exercises all Options held by it and no Options held by other persons are exercised will be 22.44%, and if all other Options are exercised will be 14.3%. KM Custodians has informed the Company that it will not exercise any Options if doing so would result in it contravening section 606 of the Corporations Act 2001 (Cth).

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 10 by any person to whom KM Options are proposed to be issued, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates. However, the Company will not disregard a vote if:*

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.*

Resolution 11 – Approval for issue of Shares to Jeffrey Clarke or a nominee

To consider and, if thought fit, to pass the following Resolution:

"Subject to the passing of Resolutions 12 and 13 that, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the issue of a total of 90,000,000 Shares by the Company, to Jeffrey Clarke or a nominee, in lieu of payment of entitlements, as further described in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of Shares that may be issued if this Resolution 11 is approved will be 9,000,000.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Clarke, if he exercises all Options held by him and no Options held by other persons are exercised will be 9.48%, and if all other Options are exercised will be 6.03%.

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 11 by Jeffrey Clarke, Peter Collery, Karel Louman, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities) and any of their associates, and any member of the KMP or a closely related party of a member of the KMP.*

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- (b) in the absence of a direction, it is cast by the person chairing the Meeting with express authority to vote undirected proxies as the person chairing the Meeting decides.*

Resolution 12 – Approval for issue of Shares to Peter Collery or a nominee

To consider and, if thought fit, to pass the following Resolution:

"Subject to the passing of Resolutions 11 and 13, that, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the issue of a total of 90,000,000 Shares by the Company, to Peter Collery or a nominee, in lieu of payment of entitlements, as further described in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of Shares that may be issued if this Resolution 12 is approved will be 9,000,000.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Collery, if he exercises all Options held by him and no Options held by other persons are exercised will be 10.37%, and if all other Options are exercised will be 6.63%.

Voting Exclusion Statement: *The same voting exclusions apply to this Resolution 12 as apply to Resolution 11.*

Resolution 13 – Approval for issue of Shares to Karel Louman or a nominee

To consider and, if thought fit, to pass the following Resolution:

"Subject to the passing of Resolutions 11 and 12, that, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the issue of a total of 90,000,000 Shares by the Company, to Karel Louman or a nominee, in lieu of payment of entitlements, as further described in the Explanatory Memorandum"

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of Shares that may be issued if this Resolution 13 is approved will be 9,000,000.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Louman, if he exercises all Options held by him and no Options held by other persons are exercised will be 8.01%, and if all other Options are exercised will be 5.11%.

Voting Exclusion Statement: *The same voting exclusions apply to this Resolution 13 as apply to Resolution 11.*

Resolution 14 – Approval for issue of options to Jeffrey Clarke or a nominee

To consider and, if thought fit, to pass the following Resolution:

"Subject to the passing of Resolutions 15 and 16 that, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the Company to issue Jeffrey Clarke or a nominee 45,641,556 options with a nil exercise price and an expiry date of 13 months from the date of issue as consideration for deferral of payment of entitlements, as further described in the Explanatory Memorandum, and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of options that may be issued if this Resolution 14 is approved will be 4,564,156.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Clarke, if he exercises all Options held by him and no Options held by other persons are exercised will be 9.48%, and if all other Options are exercised will be 6.03%.

Voting Exclusion Statement: *The same voting exclusions apply to this Resolution 14 as apply to Resolution 11.*

Resolution 15 – Approval for issue of options to Peter Collery or a nominee

To consider and, if thought fit, to pass the following Resolution:

"Subject to the passing of Resolutions 14 and 16 that, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the Company to issue Peter Collery or a nominee 66,396,500 options with a nil exercise price and an expiry date of 13 months from the date of issue as consideration for deferral of payment of entitlements, as further described in the Explanatory Memorandum, and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of options that may be issued if this Resolution 15 is approved will be 6,639,650.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Collery, if he exercises all Options held by him and no Options held by other persons are exercised will be 10.37%, and if all other Options are exercised will be 6.63%.

Voting Exclusion Statement: *The same voting exclusions apply to this Resolution 15 as apply to Resolution 11.*

Resolution 16 – Approval for issue of options to Karel Louman or a nominee

To consider and, if thought fit, to pass the following Resolution:

"Subject to the passing of Resolutions 14 and 15 that, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the Company to issue Karel Louman or a nominee 14,305,550 options with a nil exercise price and an expiry date of 13 months from the date of issue as consideration for deferral of payment of entitlements, as further described in the Explanatory Memorandum, and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of options that may be issued if this Resolution 16 is approved will be 1,430,555.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Louman, if he exercises all Options held by him and no Options held by other persons are exercised will be 8.01%, and if all other Options are exercised will be 5.11%. **Voting Exclusion Statement:** *The same voting exclusions apply to this Resolution 16 as apply to Resolution 11.*

Resolution 17 – Ratification of prior issue of options to Nick Stretch Legal Pty Limited

To consider and, if thought fit, to pass the following Resolution:

"That for the purpose of ASX Listing Rule 7.4 and all other purposes Shareholders ratify the issue of 135,781,145 options with an exercise price of \$0.006 and an expiry date which is two years from the date the Company is re-listed on ASX to Nick Stretch Legal Pty Limited (NSL)(NSL Option Issue) as bare trustee for investors in the Company, for the consideration and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of options to which this Resolution 17 relates will be 13,578,115.

Note (2): NSL will not be issued any Options (or have the issue of any Options ratified) under this Resolution as beneficial owner. The Options to which this Resolution relates will be issued to a number of investors, none of whom will have a shareholding of more than 2.21% as a result of this Resolution being approved.

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 17 by any person to whom options were issued, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.*

Resolution 18 – Approval for issue of options to Nick Stretch Legal Pty Limited

To consider and, if thought fit, pass the following Resolution:

"That for the purpose of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and all other purposes, Shareholders approve the issue to Nick Stretch Legal Pty Limited (NSL)(Second NSL Option Issue) as bare trustee for investors in the Company of 50,734,824 options with an exercise price of \$0.006 and an expiry date which is two years from the date the Company is re-listed on ASX and for the consideration and on the further terms and conditions set out in the Explanatory Memorandum (Second NSL Option Issue)."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of options that may be issued if this Resolution 18 is approved will be 5,073,483.

Note (2): NSL will not be issued any Options under this Resolution as beneficial owner.

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 18 by NSL, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) in the absence of a direction, it is cast by the person chairing the Meeting with express authority to vote undirected proxies as the person chairing the Meeting decides.

Resolution 19 – Approval for issue of options to Mr Stephen Watts

To consider and, if thought fit, to pass the following Resolution:

"That, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the Company to issue to Mr Stephen Watts 2,029,393 options forming part of, and included within, the Second NSL Option Issue, and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of Shares and options that may be issued if this Resolution 19 is approved will be 202,940 options.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Watts, if he converts his Convertible Notes and exercises all Options held by him, and no Options held by other persons are exercised, will be 3.62%, and if all other Options are exercised will be 2.21%.

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 19 by Stephen Watts, and any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (d) in the absence of a direction, it is cast by the person chairing the Meeting with express authority to vote undirected proxies as the person chairing the Meeting decides.

Resolution 20 – Approval for issue of Shares and options to Holders of Convertible Notes

To consider and, if thought fit, to pass the following Resolution:

"That for the purpose of ASX Listing Rule 7.1, and for all other purposes, approval be given to the Company to issue up to a total of 205,333,333 Shares and a total of 91,666,667 options to the persons listed as holders of the Convertible Notes issued on 2 August 2013 (Convertible Note Issue), on the further terms and conditions set out in the Explanatory Memorandum."

Note: if Shareholders approve the Share Consolidation in Resolution 8, the number of Shares and options that may be issued if this Resolution 20 is approved will be 20,533,333 Shares and 9,166,667 options.

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 20 by any person to whom Shares and options are proposed to be issued pursuant to the conversion of Convertible Notes or payment of interest, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.

Resolution 21 – Approval for issue of Shares and options to entities associated with Mr Stephen Watts in respect of Convertible Notes

To consider and, if thought fit, to pass the following Resolution:

"That for the purpose of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the Company to issue up to a total of 16,800,000 Shares and a total of 7,500,000 options to subscribe for Shares to entities associated with Mr Stephen Watts in respect of the Convertible Note Issue, on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of Shares and options that may be issued if this Resolution 21 is approved will be 1,680,000 Shares and 750,000 options.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Watts, if he converts his Convertible Notes and exercises all Options held by him, and no Options held by other persons are exercised, will be 3.62%, and if all other Options are exercised will be 2.21%.

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 21 by Stephen Watts, and any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) in the absence of a direction, it is cast by the person chairing the Meeting with express authority to vote undirected proxies as the person chairing the Meeting decides.

Resolution 22 – Approval for Issue of New Listed Options to Existing Option Holders

To consider and, if thought fit, to pass the following Resolution:

"That for the purpose of ASX Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of 139,326,777 options to the persons listed as holders of Marion Energy Limited listed options denoted by the ASX symbol MAEOA, other than the persons to whom Resolutions 23 to 26 relate, which expired on 10 December 2012 for no consideration and on the further terms and conditions set out in the Explanatory Memorandum."

Note: if Shareholders approve the Share Consolidation in Resolution 8, the number of New Listed Options that may be issued if this Resolution 22 is approved will be 13,932,678.

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 22 by any person to whom New Listed Options are proposed to be issued, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.*

Resolution 23 – Approval for Issue of New Listed Options to an entity controlled by Stephen Watts

To consider and, if thought fit, to pass the following Resolution:

"That, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the Company to issue to the trustee of the Watts Family Trust 4,260,909 New Listed Options for no consideration and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of New Listed Options that may be issued if this Resolution 23 is approved will be 426,091.

*Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Watts, if he converts his Convertible Notes and exercises all Options held by him, and no Options held by other persons are exercised, will be 3.62%, and if all other Options are exercised will be 2.21%. **Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 23 by Stephen Watts, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- (b) in the absence of a direction, it is cast by the person chairing the Meeting with express authority to vote undirected proxies as the person chairing the Meeting decides.*

Resolution 24– Approval for Issue of New Listed Options to Karel Louman or a nominee

To consider and, if thought fit, to pass the following Resolution:

"That, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the Company to issue to Karel Louman or a nominee 16,742,200 New Listed Options for no consideration and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of New Listed Options that may be issued if this Resolution 24 is approved will be 1,674,220.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Louman, if he exercises all Options held by him and no Options held by other persons are exercised will be 8.01%, and if all other Options are exercised will be 5.11%.

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 24 by Karel Louman, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) in the absence of a direction, it is cast by the person chairing the Meeting with express authority to vote undirected proxies as the person chairing the Meeting decides.

Resolution 25 – Approval for Issue of New Listed Options to Peter Collery or a nominee

To consider and, if thought fit, to pass the following Resolution:

"That, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the Company to issue to Peter Collery or a nominee 16,903,400 New Listed Options for no consideration and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of New Listed Options that may be issued if this Resolution 25 is approved will be 1,690,340.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Collery, if he exercises all Options held by him and no Options held by other persons are exercised will be 10.37%, and if all other Options are exercised will be 6.63%.

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 25 by Peter Collery, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) in the absence of a direction, it is cast by the person chairing the Meeting with express authority to vote undirected proxies as the person chairing the Meeting decides.

Resolution 26 – Approval for Issue of New Listed Options to Jeffrey Clarke or a nominee

To consider and, if thought fit, to pass the following Resolution:

"That, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the Company to issue to Jeffrey Clarke or a nominee 17,554,400 New Listed Options for no consideration and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of New Listed Options that may be issued if this Resolution 26 is approved will be 1,755,440.

Note (2): if all Resolutions are approved by Shareholders, the maximum shareholding of Mr Clarke, if he exercises all Options held by him and no Options held by other persons are exercised will be 9.48%, and if all other Options are exercised will be 6.03%.

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 26 by Jeffrey Clarke, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- (b) in the absence of a direction, it is cast by the person chairing the Meeting with express authority to vote undirected proxies as the person chairing the Meeting decides.*

Resolution 27 – Issue of shares and options to employees and contractors

To consider and, if thought fit, to pass the following Resolution:

"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval be given to the Company to issue to employees and contractors of the Company up to 10,000,000 Shares, and up to 103,000,000 options (in total) with an exercise price of \$0.006 and an expiry date two years from the date of issue, for no consideration and on the further terms and conditions set out in the Explanatory Memorandum."

Note (1): if Shareholders approve the Share Consolidation in Resolution 8, the number of Shares that may be issued if this Resolution 27 is approved will be 1,000,000 and the number of options that may be issued will be 10,300,000.

Note (2): the maximum number of Options that may be issued to any person under this Resolution is 20,000,000. If all Resolutions are approved by Shareholders, the maximum shareholding of a holder of 20,000,000 Options, if that person exercises all Options held by them and no Options held by other persons are exercised will be 1.15%, and if all other Options are exercised will be 0.7%.

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 27 by any person to whom options are proposed to be issued, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.*

Voting and Proxies

- 1) For the purposes of the Meeting, the Directors have determined that shares will be taken to be held by the persons who are registered as shareholders of the Company at 7.00pm on 17 June 2014.
- 2) A Proxy Form accompanies this Notice of Meeting.
- 3) A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. A proxy need not be a shareholder. Where the Chairman is appointed proxy, he will vote in accordance with the shareholder's directions given on the Proxy Form or, in the absence of a direction or an acknowledgement referred to below, in favour of the resolutions contained in the Notice of Meeting (except where on the particular resolution he is excluded from voting).
- 4) The Proxy Form has provision for the shareholder to acknowledge that the Chairman may exercise the proxy even if he has an interest in the outcome of the resolution and that votes cast by him, other than as proxy holder, would be disregarded because of that interest.
- 5) Where a shareholder wishes to appoint two proxies an additional Proxy Form may be obtained by contacting the Company's share registry. Alternatively a photocopied form, duly completed, will be acceptable. A shareholder appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies and does not specify the proxies voting rights the rights will be deemed to be half each. Fractions of votes will be disregarded.
- 6) A body corporate appointed as a proxy will need to appoint a representative to exercise the powers that body corporate may exercise as the member's proxy at the Annual General Meeting, in accordance with section 250D of the Corporations Act and provide a "Certificate of Appointment of Representative" to the Company prior to the commencement of the Annual General Meeting. A form of the certificate may be obtained from the Company's Registered Office at Suite 802, 530 Little Collins Street, Melbourne Victoria 3000.
- 7) A proxy document or form is valid if it is signed by the member of the Company making the appointment and contains the member's address, the Company's name, the proxy's name or the name of the office held by the proxy and the meeting at which the appointment may be used and is received in accordance with note 8 below.
- 8) The Proxy Form, and a certified copy of any authority or power of attorney under which the Proxy Form is signed, must be received either (a) at the Company's Registered Office at Suite 802, 530 Little Collins Street, Melbourne Victoria 3000; or (b) by facsimile to +61 3 8692 9976; by 11.00 am on 17 June 2014.

By Order of the Board



Nick Stretch
Company Secretary
20 May 2014

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the Extraordinary General Meeting (**EGM**) to be held at 11.00am on 19 June 2014, at Mantra on Little Bourke Street, Level 3, 451 Little Bourke Street, Melbourne.

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice of Meeting. The purpose of this Explanatory Memorandum is to provide information to Shareholders to assist in deciding how to vote on Resolutions 1 to 27 as set out in the Notice of Meeting.

This Explanatory Memorandum should also be read in conjunction with the Accounts announced and released to ASX on 13 March 2014 and separately dispatched to Shareholders, and with the Company's announcement to ASX on 20 May 2014.

ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice of Meeting and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is located at the end of the Explanatory Memorandum. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

Voting Exclusions

As set out in the Notice of Meeting, voting exclusions apply to a number of Resolutions to be considered at the EGM. Please read the voting exclusions carefully before completing a Proxy Form. In some circumstances, you may commit an offence by voting in disregard of a voting exclusion.

Glossary:

In this Notice of Meeting and Explanatory Statement, unless the context otherwise requires:

Accounts means the Company's full-year financial reports for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, or any of them, as applicable.

ASX means Australian Securities Exchange Limited ACN 008 624 691 or the financial market conducted by it, as applicable.

Deferred Entitlement Option means an unlisted option to subscribe for one Share, on the terms set out in Appendix D.

Director means a director of the Company.

Expired Option means an option listed on ASX with the code MAEOA which expired on 10 December 2012.

Listing Rules means the listing rules of ASX, as amended or varied from time to time.

KM Agreement means the agreement between KM and the Company effective as of 1 May 2013.

KM Custodians means KM Custodians Pty Limited ACN 143 388 176.

KM Funding means the funding provided by KM Custodians pursuant to the KM Agreement.

New Listed Option means an option to subscribe for one Share, with the terms of issue set out in Appendix E, and to be quoted on ASX.

NSL means Nick Stretch Legal Pty Limited ACN 145 744 976.

NSL Agreement means the agreement between NSL and the Company effective as of 1 May 2013.

NSL Funding means funding provided to the Company by NSL pursuant to the NSL Agreement.

Relevant Director means a Director to whom securities may be issued pursuant to Resolutions 11 to 16, on the terms and conditions described in this Explanatory Memorandum.

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

Share Consolidation means the consolidation of Shares on a 1:10 basis to which Resolution 8 relates.

Shareholder means a person registered as a holder of Shares as at 7.00pm (AEST) on 17 June 2014.

TPG Credit means the United States finance company, TPG Credit Management, LP.

1. Introduction

The Explanatory Statement has been prepared to assist Shareholders to understand the Resolutions set out in the Notice of Meeting that will be put to Shareholders at the forthcoming Extraordinary General Meeting (**Meeting** or **EGM**).

2. Purpose of Meeting

The Meeting has the following two main purposes:

- (a) to consider Resolutions relating to the ordinary business of the Company required to be conducted at the 2011, 2012 and 2013 annual general meetings of the Company, including the adoption of accounts, the approval of remuneration reports, and the election of Directors; and
- (b) to consider a number of Resolutions relating to issues of securities in the Company to investors who have provided financial support to the Company and to Directors who foregone fees and remuneration for their services over a period of more than two years.

The Resolutions are being proposed as part of the process to end the suspension of trading of the Company's securities on ASX that began on 3 October 2011. See section 3 below, "Background", for further information regarding the suspension of trading, the Company's financial restructure, and the required Shareholder approvals.

The Meeting will also consider a Resolution to approve the Share Consolidation, as further described in this Explanatory Memorandum.

3. Background

(a) Introduction

The Resolutions to be considered at the Meeting, and the proposed return to trading of the Company's securities on ASX, are the last stage in a process of financial and corporate restructuring that has been undertaken by the Directors since 2011. In announcements to ASX during 2011, the Company provided the market with information regarding reviews and performance of its key assets including Clear Creek, the Helper Project, and the Company's gas assets in Oklahoma, and of steps being taken by the Company to review its financial requirements and alternative financing options.

These announcements also described steps the Company was considering to restructure its banking facilities. However, the Company was unable to achieve a restructure of its banking facilities by the time its Accounts were due to be finalised in respect of the year ended 30 June 2011, and on 3 October 2011 ASX suspended trading in the Company's securities following the Company's failure to lodge with ASX its full year accounts.

At that time, the Company's bankers held mortgages over all of its assets and, at the time of suspension, the material uncertainty surrounding the banking facilities resulted in Marion Energy being prevented from raising any funds by the issue of new securities which could be traded on ASX. Consequently, the Directors sought alternative financiers to provide the Company with the financial support it required to be able to complete its financial restructure.

In the period from 3 October 2011 (when the suspension commenced) until the date of this Notice of Meeting, Marion has updated the market with material information that was available in relation to the progress of the Company's restructuring efforts.

On 27 July 2013 Marion Energy was pleased to announce to the market the successful refinancing of its bank facilities with TPG Credit, under which:

- (a) it was able to reduce its bank credit and trade related liabilities from approximately US\$70million to US\$25million (subject to various terms and conditions of the revised banking facilities); and

- (b) funds began to flow into the Company to enable it to recommence operations at a number of its gas wells.

Operations at a number of the Company's wells have now recommenced, although only at a low level of capacity.

On 13 March 2014 the Company's full year financial reports for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 were released to ASX, and can be found at <http://www.marionenergy.com.au>. Shareholders should also refer to the Company's announcement to ASX dated 20 May 2014. The Directors are now working to finalise all outstanding financial reporting and other matters required for the lifting of ASX's suspension of the Company's securities to occur.

(b) Financial Arrangements

The financial restructuring process of the Company has required the Company to raise finance to fund its operations and prepare for the resumption of trading of the Company's securities.

The Company has obtained finance from KM Custodians in the total amount of US\$1,653,500 and from NSL in the total amount of US\$1,250,000, on the terms described in this Explanatory Memorandum.

As part of those financing arrangements the Company agreed to repay these amounts and to issue securities to KM Custodians and NSL, subject to Shareholder approval. The Directors consider that the financial support provided by KM Custodians and NSL was very important in enabling the Company to undertake the financial restructure and prepare for resumption of operations and of trading in its securities on ASX.

The Company has also issued Convertible Notes to investors to raise additional finance in the amount of A\$1,100,000. This issue occurred on 2 August 2013, and Shareholder approval is sought for the issue of Shares and options to holders of Convertible Notes who elect to convert their Convertible Notes.

In 18 March 2014, the Company issued 73,072,217 Shares to KM Custodians Pty Limited at an issue price of \$0.006 per Share to raise A\$438,433.30, an amount equivalent to US\$395,010.38 payable to La Jolla Cove Investors, Inc, in respect of a convertible note that had matured. In doing so, the Company inadvertently exceeded its placement capacity under Listing Rule 7.1 under which it is limited to issuing equity securities in any 12 month period equal to 15% of the lowest number of ordinary shares on issue during that period without obtaining shareholder approval. ASX has informed the Company that, as a result of exceeding its placement capacity under Listing Rule 7.1, it may not seek ratification of the 73,072,217 Shares in order to preserve its placement capacity, and the Company has undertaken to ASX that it will not issue any securities without Shareholder approval until 15 August 2014, unless the issue is within an exception set out in Listing Rule 7.2. The Company made an announcement to ASX regarding these matters on 10 April 2014.

(c) Directors Fees and Remuneration

Three Directors of the Company – Karel Louman, Peter Collery and Jeffrey Clarke – have not been paid certain fees and remuneration to which they are entitled, for a period of over two and a half years beginning prior to the suspension of trading in the Company's securities, as they agreed to defer seeking payment to allow the Company to undertake the financial restructuring that it has now completed. These Directors further agreed that, in lieu of cash payment, they would accept securities in the Company as payment of their entitlements on the terms described in this Notice of Meeting.

The amounts due to the Directors as at 30 June 2013 will be paid by the Company by issuing to the Directors Shares and Deferred Entitlement Options in lieu of payment in cash, on the terms described in this Explanatory Memorandum, subject to Shareholder approval. If Shareholders approve the issue of the Shares and Deferred Entitlement Options, the amounts owed to the Directors at 30 June 2013 will be discharged. The Directors remain entitled to fees and remuneration in respect of the period since 30 June 2013, which the Company intends will be paid in cash.

As at 30 June 2013, the total amounts owing are as follows:

Director	Amounts owing (at 30 June 2013)	Amount discharged by issue of Shares	Amount discharged by issue of Deferred Entitlement Options
Karel Louman	US\$625,833.00	A\$540,000.00	A\$85,833.00
Jeffrey Clarke	US\$732,464.40	A\$540,000.00	A\$273,849.33
Peter Collery	A\$938,379.00	A\$540,000.00	A\$398,379.00

Mr Peter Collery ceased to hold office as Chief Executive Officer and as a Director of the Company effective from 28 February 2014.

(d) Capital Structure of the Company

Information regarding the capital structure of the Company if all Resolutions are approved is set out in the table in Appendix A.

4. Annual Financial Report – 2011, 2012 and 2013

Pursuant to the Corporations Act, the Directors of a public company that is required to hold an Annual General Meeting must table the financial statements and reports of the Company for the previous year before the members at that Annual General Meeting.

Shareholders have been provided with all relevant information concerning the Company's financial statements in the Annual Reports of the Company for each of the years ended 30 June 2011, 30 June 2012 and 30 June 2013. A copy of the Annual Reports have been forwarded or made available to each Shareholder and may also be found online at <http://www.marionenergy.com.au> and as announced to ASX. A copy of the financial statements and the associated reports will also be tabled at the Meeting.

Due to the fact that the Company was unable to finalise its Accounts in respect of the year ended 30 June 2011 (as a result of which trading in its securities was suspended by ASX), and that finalisation of the Accounts in respect of subsequent years was delayed until the Company's financial restructure could be completed, the Meeting will receive the Accounts in respect of the years ended 30 June 2011, 30 June 2012 and 30 June 2013.

Shareholders should note that the sole purpose of tabling the financial statements of the Company at the Annual General Meeting is to provide Shareholders with the opportunity to be able to ask questions or discuss matters arising from the financial statements at the Meeting. It is not the purpose of the meeting that the financial statements be accepted, rejected or modified in any way. Further, as it is not required by the Corporations Act, no resolution to adopt the Company's financial statements will be put to Shareholders at the Meeting.

Shareholders will be allowed a reasonable opportunity to ask questions about, or make comments on, the management of the Company.

It is proposed that the Company's auditors will be present at the meeting. Shareholders present at the meeting will be allowed a reasonable opportunity to ask the Chairman of the Company questions about the management of the Company or ask the auditors questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditor's report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditors in relation to the conduct of the audit.

Written questions to the Chairman about the management of the Company, or to the Company's auditor about the above matters, may be submitted by no later than 5 business days before the meeting to the Company Secretary at the Company's registered office.

5. Resolutions 1, 2 and 3: Remuneration Reports – 2011, 2012 and 2013

Section 300A of the Corporations Act requires that the Directors' Report must contain a Remuneration Report containing prescribed information about the Board's policy for determining the nature and amount of the remuneration of Directors and senior management. The Remuneration Report must also explain the relationship between the remuneration policy of the Board and the Company's performance. The Remuneration Report is set out:

- in pages 15 to 17 of the Company's 2011 Annual Report;
- in pages 13 to 15 of the Company's 2012 Annual Report; and
- in pages 12 to 14 of the Company's 2013 Annual Report.

The Corporations Act requires that the Remuneration Report be submitted to shareholders for adoption by a non-binding resolution.

The Remuneration Report contains information regarding such matters (among others) as:

- the Board's policy for determining the nature and levels of remuneration of the Company's senior management personnel;
- the relationship between the Board's remuneration policy and the Company's performance;
- prescribed information regarding the remuneration paid to each member of the Company's key management personnel, including the amount of the remuneration paid to those personnel; and
- where any element of the remuneration of a member of the key management personnel depended on the satisfaction of a performance condition, a summary of that performance condition and an explanation of why it was adopted in relation to the relevant personnel.

Section 250R(2) of the Corporations Act provides that the Company is required to put the Remuneration Report to the vote of shareholders.

Section 250R(3) of the Corporations Act provides that Resolutions 1 to 3 are advisory only and do not bind the Directors of the Company. Of itself, a failure of Shareholders to pass any of Resolutions 1 to 3 will not require the Directors to alter any of the arrangements described in the respective Remuneration Report.

However, since the last Annual General Meeting of the Company, the Corporations Act was amended by the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act (**Director and Executive Remuneration Act**) which received Royal Assent on 27 June 2011 and came into effect on 1 July 2011.

The Director and Executive Remuneration Act introduced new sections, 250U and 250Y, among others, into the Corporations Act, giving shareholders the opportunity to remove the Board if the Remuneration Report receives a "no" vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a "no" vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Director's Report must stand for re-election (**Spill Resolution**).

In addition, if comments are made on the Remuneration Report at the AGM, the Company's remuneration report in respect of the following financial year will be required to include an explanation of the Board's proposed action in response to those comments or, if no action is proposed, the reasons why.

The Meeting is receiving the Company's Remuneration Reports in respect of the years ended 30 June 2011, 30 June 2012 and 30 June 2013. The particular circumstances of the Company, as a result of which it has not convened an Annual General Meeting since 2010, mean that the Company has not been able to present Remuneration Reports to Shareholders under the rules introduced by the Director and Executive Remuneration Act prior to the Meeting and it has not therefore been able to receive comments from Shareholders or respond to them. As part of the process of preparing for the resumption of trading in the Company's securities, including the completion of its financial restructure and completion of the Accounts, the Company has made detailed disclosures in this Explanatory Memorandum, in the Company's announcement dated 20 May 2014 and in the Accounts and Remuneration Reports regarding the Company's business, its financial position, and the remuneration of Directors and key executives. In addition, each of the Directors, other than the Managing Director, is standing for re-election at the Meeting (as they would be required to do pursuant to a Spill Resolution, had one been required to be considered by Shareholders and passed in accordance with the Two-Strikes Rule).

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Reports.

The Chairman will cast all available proxies in favour of Resolutions 1 to 3. Shareholders may also choose to direct the Chairman to vote against Resolutions 1 to 3 or to abstain from voting.

6. Resolution 4: Re-election of Director – Mr Karel Louman

Mr Karel Louman offers himself for re-election to the Board in accordance with the Company's Constitution, which requires one third of all Directors to retire at each annual general meeting.

Mr Louman was born and educated in the Netherlands where he received a Masters Degree in Business Administration from Nyenrode University. He has 15 years of experience as an oil and gas banker.

In 1992 he moved to the US to open an office in Dallas, Texas for MeesPierson, a Dutch merchant bank which at the time was a wholly owned subsidiary of ABN Amro with the North American Exploration and Production industry as its main focus. Mr Louman has gained international experience in the debt and capital markets as well as in the financial and strategic advisory area.

Previous to joining Marion Energy Limited, Mr Louman was the CEO of Fortis Capital Corp, the North American lending arm of Fortis Bank NV, where he gained further experience in financial management and legal and regulatory matters.

Mr Louman was appointed to the Board on 9 December 2004 and resides in the USA.

The Chairman will cast all available proxies in favour of Resolution 4.

Shareholders may also choose to direct the Chairman to vote against Resolution 4 or to abstain from voting.

Each Director, other than Mr Louman, recommends that Shareholders vote in favour of Resolution 4.

7. Resolution 5: Re-election of Director – Mr Jeffrey Clarke

Mr Clarke was born and educated in the United Kingdom where he graduated from the University of Wales with an honours degree in physics. He has over 38 years experience worldwide in oil and gas exploration and production, the majority of which has been in the United States and Canada.

Mr Clarke has held the position of Chief Executive of several oil and gas companies and was CEO of a Nasdaq listed company for ten years. As CEO, Mr Clarke took this company public and subsequently directed the raising of in excess of US\$350 million of both public equity and public debt capital. In this role he oversaw a \$US60 million merger with a private company and the acquisition of over US\$300 million of oil and gas properties.

The Chairman will cast all available proxies in favour of Resolution 5.

Shareholders may also choose to direct the Chairman to vote against Resolution 5 or to abstain from voting.

Each Director, other than Mr Clarke, recommends that Shareholders vote in favour of Resolution 5.

8. Resolution 6: Election of Director – Mr Nicholas Stretch

Mr Nicholas Stretch offers himself for re-election to the Board in accordance with the Company's Constitution which requires that Directors appointed since the previous year's Annual General Meeting retire and offer themselves for election to the Board at the next Annual General Meeting to be held after their initial appointment.

Mr Stretch graduated from Melbourne University in 1983 with degrees in Law and Commerce. He has been a solicitor in private practice for most of his career and has held a number of senior management positions in a major Australian law firm including that of Victorian and National Chairman.

In 2007 – 2008, Nick was elected chairman of ASX-listed coal seam gas explorer Blue Energy Limited (ASX:BUL) during which time he oversaw the implementation of a number of corporate governance and investor relations processes for the company.

Currently Nick is a director of Nick Stretch Legal Pty Ltd where he practices corporate and commercial law. He also sits on the boards of not-for-profit organisations, M A & V L Perry Foundation, Firbank Grammar School, Firbank Grammar School Foundation and the Bowness Family Foundation.

Mr Stretch was appointed to the Board on 7 May 2013.

The Chairman will cast all available proxies in favour of Resolution 6.

Shareholders may also choose to direct the Chairman to vote against Resolution 6 or to abstain from voting.

Each Director, other than Mr Stretch, recommends that Shareholders vote in favour of Resolution 6.

9. Resolution 7: Election of Director – Mr Stephen Watts

Mr Stephen Watts offers himself for re-election to the Board in accordance with the Company's Constitution which requires that Directors appointed since the previous year's Annual General Meeting retire and offer themselves for election to the Board at the next Annual General Meeting to be held after their initial appointment.

Mr Watts graduated from the University of Adelaide in 1987 with a degree in Economics. He is a Chartered Accountant and is a partner in the Chartered Accounting firm of Tilbrook Rasheed and has over 25 years of accounting experience in advising businesses of all sizes on corporate finance, general business advisory and taxation matters. He is a member of the Taxation Institute of Australia.

Stephen's expertise is spread across a diverse range of industries, with a highly regarded reputation for providing specialist advice in the manufacturing, mining and mining services and the oil and gas industries.

Stephen is a non executive director of Altima Resources Ltd, a Canadian oil and gas public company and also has direct interests in oil and gas operations in Canada. In addition he also holds positions on the Board of Directors of a number of large private companies where he is actively involved in providing advice and in the day to day running of these businesses.

Mr Watts was appointed to the Board on 2 September 2013.

The Chairman will cast all available proxies in favour of Resolution 7.

Shareholders may also choose to direct the Chairman to vote against Resolution 7 or to abstain from voting.

Each Director, other than Mr Watts, recommends that Shareholders vote in favour of Resolution 7.

10. Resolution 8: Consolidation of Shares

Section 254H of the Corporations Act allows a company to consolidate all or any of its shares into a smaller number by way of an ordinary resolution of members.

The purpose of Resolution 8 is to enable the Company to consolidate its Shares into a smaller number by reducing the number of Shares on issue by a factor of 10. If all of the Resolutions included in this Notice of Meeting are approved by Shareholders, and all options to be issued pursuant to those Resolutions are exercised and Shares issued, the number of Shares in the Company that will be on issue (assuming no other issues) is 2,751,367,971. However, if the Share Consolidation is approved, that number of Shares would be reduced by a factor of 10 to 275,136,798.

Where a Shareholder's holding is not a multiple of 10 and would result in a holding including a fraction of a Share, the Company will issue to that Shareholder, for no consideration, an additional Share to ensure that that Shareholder's holding is a whole number. Similarly, where an optionholder holds a number of options that is not a multiple of 10 and the consolidation would result in a holding including a fraction of an option, the Company will issue an additional option to the relevant optionholder. That is, in each case, the holding will be rounded up.

The Share Consolidation will not affect any Shareholder's proportionate holding in the capital of the Company. It will only reduce the number of Shares that they hold.

From the date of the Share Consolidation, which is intended to take immediate effect (so that on the business day following the Meeting, Shares will trade on a post-consolidation basis), all holding statements for Shares held by Shareholders will cease to have any effect except as evidence of an entitlement to Shares on a post-consolidation basis. After the Share Consolidation takes effect, the Company will arrange for new holding statements to be issued.

The terms of issue of options that are on issue on the date of the Share Consolidation, or that are issued pursuant to Resolutions approved at the Meeting, will be adjusted in accordance with the Listing Rules to reflect the effect of the Share Consolidation. The number of Shares that may be received by a holder of options if they exercise their options will be reduced by a factor of 10, and the exercise price of options will be increased by a factor of 10.

For example, if a person holds 1000 options with an exercise price of \$0.006 each before the Share Consolidation, after the Share Consolidation the person will hold 100 options with an exercise price of \$0.06 each.

The timetable for the Share Consolidation is set out below:

Event	Date
Date for eligibility to vote at Meeting	7.00pm 17 June 2014
Approval of consolidation at Meeting	19 June 2014
Last day for trading in pre-consolidation securities	20 June 2014
Trading in post-consolidation securities on a deferred settlement basis begins	23 June 2014
Last day for registering transfers on a pre-consolidation basis	25 June 2014
First day for registration of securities on post-consolidation basis and for sending shareholder notice	26 June 2014
Last day for securities to be entered in security holders' holdings on post-consolidation basis and for sending shareholder notice	30 June 2014
Deferred settlement trading ends	30 June 2014
Normal trading begins (T+3)	1 July 2014

The Directors unanimously recommend that Shareholders vote in favour of Resolution 8. Each Director who is also a Shareholder intends to vote in favour of Resolution 8.

11. Resolution 9: Approval for Issue of Options to KM Custodians

The Company seeks Shareholder approval under Listing Rule 7.1 for the issue to KM Custodians of 221,055,405 options (on a pre-consolidation basis) to subscribe for Shares (**KM Issue**), pursuant to the KM Agreement. If Shareholders approve the Share Consolidation in Resolution 8, the number of options that may be issued, on a post-consolidation basis, if this Resolution 9 is approved will be 22,105,541. During the period since the suspension of the Company's securities on the ASX, KM Custodians provided \$1,653,500 in emergency funding to the company (**KM Funding**) which enabled the Company to continue operating and, importantly, to undertake a major financial restructuring. As announced on 31 July 2013, the Company finally completed this major financial restructuring, on terms that reduced the Company's debt levels and that have enabled the Company to resume operations at a number of its gas wells.

The Directors consider that, without the provision of the KM Funding by KM Custodians, it may not have been possible to achieve the major financial restructuring that the Company has now completed or, potentially, to continue in business. At the time the Company obtained the KM Funding, its securities were suspended from trading and it had not been able to obtain other sources of finance on acceptable terms. The Directors considered that the terms of the KM Funding, including the terms of issue of the KM Options, represented the best financing arrangement that could be achieved by the Company at the time, and that entering into the KM Agreement was in the best interests of the Company. Further information regarding the Company's financial position, and the KM Funding, are provided in the Accounts. The KM Funding was repaid to KM Custodians as part of the major financial restructuring announced on 31 July 2013.

It is a condition of the KM Agreement that the Company seek shareholder approval for the issue to KM Custodians of 221,055,405 unlisted options to subscribe for Shares, on the terms of issue set out in Appendix B.

As at the date of this Notice of Meeting, the Company has no capacity to make the KM Issue as its 15% placement capacity under the Listing Rules is fully utilised. Therefore, in order for the KM Issue to occur, Shareholder approval under Listing Rule 7.1 is required.

If Resolution 9 is not approved by Shareholders then the KM Agreement requires that the Company immediately pay to KM Custodians the amount of \$2,652,665 being twice the underlying loan amount represented by the options still to be issued as compensation. This amount will become due and payable immediately following the Meeting.

The Directors of the Company unanimously recommend to Shareholders that they vote in favour of Resolution 9.

As at the date of the Notice of Meeting, due to the Company's Shares having been suspended from trading on ASX since 3 October 2011, the Company is not able to issue a cleansing notice under section 708A(5)(e) and section 708A(6) of the Corporations Act in respect of the issue of KM Options or any Shares to be issued on exercise of the KM Options. It is the intention of the Company to prepare and issue a prospectus as soon as practicable. However, if the Company does not issue a prospectus by the date on which Shares are re-admitted to quotation on ASX, the Company must ensure it is able to issue a cleansing notice in respect of Shares within 5 business days after Shares are issued to KM Custodians following exercise of the KM Options.

Specific Information required by ASX Listing Rule 7.1

For the purposes of Listing Rule 7.1 the following information is provided:

- (a) *The maximum number of KM Options to be issued is 221,055,405 (22,105,541 KM Options on a post-consolidation basis).*
- (b) *The issue date of the KM Options will be shortly after approval is obtained, and in any case within 3 months of the date of the Meeting.*
- (c) *The KM Options are issued with an exercise price of \$0.003 per KM Option (\$0.03 post-consolidation).*

- (d) *The KM Options are to be issued pursuant to the contractual arrangements under which the KM Funding was provided, as part of the consideration for the provision of the KM Funding. The KM Options otherwise have a nil issue price.*
- (e) *Each KM Option will expire on the date that is two years from the date the Company's securities resume trading on the ASX.*
- (f) *The KM Options will be issued to KM Custodians.*
- (g) *The terms of issue of the KM Options are set out in Appendix B.*
- (h) *A voting exclusion statement is included in the Notice of Meeting.*

As set out in Appendix B, the KM Options may be exercised by each holder by payment in cleared funds of the Exercise Price.

Funds raised by the Company through the exercise of the KM Options will be used by the Company for working capital.

12. **Resolution 10: Approval of Prior Issue of Options to KM Custodians**

The Company seeks approval under Listing Rule 7.4 to ratify the issue of 43,449,967 unlisted options to KM Custodians (**Second KM Issue**) on 10 May 2013, the same date as the NSL Option Issue (Resolution 17). If Shareholders approve the Share Consolidation in Resolution 8, the number of options to which this Resolution 10 relates (post-consolidation) will be 4,344,997.

Background

On 10 May 2013 the Company made the Second KM Issue, pursuant to an agreement entered into with KM Custodians dated 19 April 2012 (**KM Agreement**). Information regarding the issue of the options was announced by the Company on 31 January 2014.

Under ASX Listing Rule 7.1, a company may only issue equity securities in any 12 month period equal to 15% of the lowest number of ordinary shares on issue during that period without obtaining shareholder approval. By issuing 43,449,967 options to KM Custodians, the Company used a substantial portion of the 15% placement capacity available to it under this Listing Rule.

The Company wishes to maintain a 15% placement capacity to provide it with flexibility to make further issues of equity securities as the need and strategic opportunities arise.

Accordingly, under ASX Listing Rule 7.4, the Company seeks Shareholder approval to ratify the Second KM Issue, pursuant to Resolution 10. If Resolution 10 is approved by Shareholders, the Company's capacity to issue further equity securities during the next 12 months will not be reduced by the Second KM Issue having occurred.

The Directors of the Company unanimously recommend to Shareholders that they vote in favour of Resolution 10.

Specific Information required by ASX Listing Rule 7.4

For the purposes of ASX Listing Rule 7.4 the following information is provided:

- (a) *The following securities at the issue prices set out below were issued:*
 - (i) *43,449,967 options to with an exercise price of \$0.003 to KM Custodians (**Second KM Issue**) (which will be 4,344,997 options on a post-consolidation basis).*
- (b) *Each option will expire two years from the date the Company's securities resume trading on the ASX.*
- (c) *The Second KM Issue was made as consideration for the provision of finance to the Company in May 2012, pursuant to the contractual arrangements under which the KM Funding was provided. The options issued under the Second KM Issue otherwise have a nil issue price.*
- (d) *A voting exclusion statement is included in the Notice of Meeting.*

As set out in Appendix B, the options may be exercised by each holder either by payment in cleared funds of the Exercise Price.

As at the date of the Notice of Meeting, due to the Company's Shares having been suspended from trading on ASX since 3 October 2011, the Company is not able to issue a cleansing notice under section 708A(5)(e) and section 708A(6) of the Corporations Act in respect of the issue of options or any Shares to be issued on exercise of the options. It is the intention of the Company to prepare and issue a prospectus as soon as practicable. However, if the Company does not issue a prospectus by the date on which Shares are re-admitted to quotation on ASX, the Company must ensure it is able to issue a cleansing notice in respect of Shares within 5 business days after Shares are issued to an the option holder following exercise of options.

12. Resolutions 11, 12 and 13: Approval for Issue of Shares to Jeffrey Clarke, Peter Collery and Karel Louman or their respective nominees

The following information relates to Resolutions 11, 12 and 13. Further information in relation to each of these Resolutions is provided below.

Each of Resolutions 11, 12 and 13 are inter-conditional on each other. If any one or more of Resolutions 11, 12 and 13 is not approved by Shareholders, none of these Resolutions will be approved.

Background

As at 30 June 2013 the following amounts were owing to these Directors:

- (a) US\$732,464.40 is owing to Jeffrey Clarke;
- (b) \$938,379.00 is owing to Peter Collery; and
- (c) US\$625,833.00 is owing to Karel Louman.

These amounts are payable in respect of unpaid salary and/or fees that are due and payable to these Directors in their capacity as CEO, CFO and Consultant for a period of over two years, beginning prior to the suspension of trading. Due to the financial difficulty that the Company was facing during this period Messrs Clarke, Collery and Louman agreed to defer payment of the above amounts in the interests of preserving cash in the Company. Each Director agreed that payment would be deferred until such time as the Company completed a financial restructuring which would allow the Company to recommence operations and to seek the resumption of trading in the Company's securities on the ASX. No interest on the amounts owing has been accrued.

Messrs Clarke, Collery and Louman have agreed to not seek payment of the total amounts owing in cash but instead accept payment of part of the total amount owing to each of them in the form of an issue of Shares at a deemed issue price of \$0.006 per Share, being the conversion price under the terms of issue of the Convertible Notes issued on 2 August 2013, which was also the last trading price on ASX of Shares. As Messrs Clarke, Collery and Louman are Directors of the Company, the Company cannot issue Shares to them as proposed without first obtaining Shareholder approval in accordance with ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.

Should Shareholder approval be granted for Resolutions 11, 12 and 13 then 90,000,000 Shares will be issued to each of Messrs Clarke, Collery and Louman (a total of 270,000,000 Shares), and the amounts due to each of them by the Company will be reduced by \$540,000. The balance of the amounts owing to them is to be discharged, subject to Shareholder approval, through the issue of Deferred Entitlement Options pursuant to Resolutions 14, 15 and 16. (If Shareholders approve the Share Consolidation in Resolution 8, the number of Shares to be issued to each of Messrs Clarke, Collery and Louman will be 9,000,000, and the aggregate number of Shares issued will be 27,000,000).

Information regarding the holdings of securities of the Company of each of Messrs Clarke, Collery and Louman is set out in Appendix A.

Should Shareholder approval not be granted for any of Resolutions 11, 12 and 13 then the amounts owing to Messrs Clarke, Collery and Louman will become immediately due and payable by the Company to Messrs Clarke, Collery and Louman in cash.

Mr Watts and Mr Stretch, the Directors who will not receive any benefit under Resolutions 11, 12 and 13, consider that the agreement by Messrs Louman, Collery and Clarke to defer payment of their entitlements and to accept in lieu of cash the proposed issue of Shares has been advantageous to the Company by enabling it to preserve cash while effecting the financial restructure described in this Explanatory Memorandum. Mr Watts and Mr Stretch further consider that the terms of the proposed issue of Shares is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the proposed issue of Shares.

Messrs Louman, Collery and Clarke do not make any recommendation in relation to Resolutions 11, 12 and 13, given their interest in the Resolutions.

Reasons for Resolutions 11, 12 and 13

Listing Rule 10.11 prohibits the issue of securities to related parties of the Company (including directors) without shareholder approval in the absence of an applicable exemption (none of which are applicable in this instance). Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company (including directors) without shareholder approval in the absence of an applicable exemption. Although Chapter 2E of the Corporations Act includes exceptions from this prohibition where a financial benefit is given on arm's length terms, or as reasonable remuneration, the Company has decided not to apply these exceptions but to seek Shareholder approval for the proposed issue of Shares, given the significant role that the Directors have played in effecting the financial restructure of the Company, and the significance of those activities for the potential value of securities in the Company. The Shares are being issued at the last trading price of Shares, prior to 3 October 2011, as being the only available value of the Company's Shares.

Accordingly, Resolutions 11, 12 and 13 each seek, for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act, Shareholder approval to issue the specified Shares to Messrs Clarke, Collery and Louman.

Exception 14 of Listing Rule 7.2 provides that if approval for the issue of securities is given under Listing Rule 10.11, then approval is not required under Listing Rule 7.1. Accordingly, if Resolutions 11, 12 and 13 are passed, the Company's ability to issue further securities up to 15% of the issued capital of the Company without requiring Shareholder approval at any time in the next 12 months will not be reduced by the issue of Shares.

Further information in relation to Resolution 11, 12 and 13 – Approval for issue of Shares to Jeffrey Clarke, Peter Collery and Karel Louman (the Relevant Directors) or their nominees

These Resolutions seek Shareholder approval to issue, in accordance with Listing Rule 10.11, 90,000,000 Shares to each of the Relevant Directors or their nominees (including a superannuation fund).

For the purposes of ASX Listing Rule 10.13, the Company provides Shareholders the following information regarding Resolutions 11, 12 and 13 in respect of each Relevant Director:

- (a) *The Shares will be issued to the Relevant Director or their nominee.*
- (b) *The number of Shares to be issued to each Relevant Director is 90,000,000 (9,000,000 post-consolidation).*
- (c) *The Shares will be issued progressively by no later than one month after the Meeting (unless otherwise extended by way of ASX granting a waiver to the Listing Rules).*
- (d) *The deemed issue price of the Shares issued by the Company under Resolutions 11, 12 and 13 will be \$0.006 per Share (\$0.06 post-consolidation).*
- (e) *The Shares will be Shares in the Company and will rank equally with all other Shares on issue in the Company.*
- (f) *A voting exclusion statement is included in the Notice of Meeting.*

- (g) *No funds will be raised by the Company pursuant to the issue of Shares. However the issue of Shares will result in the cancellation of a liability of \$540,000 owing by the Company to each of the Relevant Directors.*

For the purposes of Chapter 2E of the Corporations Act, the Company provides Shareholders the following additional information regarding Resolutions 11, 12 and 13:

- (a) the proposed financial benefit to be given to the Relevant Directors is the issue to each of them of 90,000,000 Shares and of 270,000,000 Shares in aggregate (9,000,000 and 27,000,000, respectively, post-consolidation);
- (b) each of the Relevant Directors, by virtue of being a Director, is a related party of the Company;
- (c) Mr Watts and Mr Stretch consider that:
 - (i) the agreement by the Relevant Directors to defer payment of their entitlements and to receive Shares in lieu of cash has been advantageous to the Company and that proposed issue of Shares to the Relevant Directors on the terms proposed is in the best interests of the Company; and
 - (ii) if the Company is required to pay the Relevant Directors their entitlements in cash, the Company will need to consider whether it needs to obtain additional finance and otherwise review its financial position;
- (d) neither Mr Watts nor Mr Stretch have any interest in the outcome of Resolutions 11, 12 and 13, other than Shareholders;
- (e) the Relevant Directors will have the holdings in the Company set out in the table in Appendix A, if Resolutions 11, 12 and 13 are approved; and
- (f) the Directors are not aware of any other information that would reasonably be required by Shareholders to allow them to make an informed decision as to whether it is in the best interests of the Company to pass the Resolutions.

13. Resolutions 14, 15 and 16: Approval to Issue Deferred Entitlement Options to Jeffrey Clarke, Peter Collery and Karel Louman or their respective nominees

The following information relates to Resolutions 14, 15 and 16. Further information in relation to each of these Resolutions is provided below.

Each of Resolutions 14, 15 and 16 are inter-conditional on each other. If any one or more of these Resolutions is not approved by Shareholders none of these Resolutions will be approved.

Background

As set out in the explanatory notes to Resolutions 11, 12 and 13, fees and remuneration are owed by the Company to Jeffrey Clarke, Peter Collery, and Karel Louman in respect of a period of over two years beginning prior to the suspension of trading. If Resolutions 11, 12 and 13 are approved by Shareholders the amount owing to Messrs Clarke, Collery and Louman will be reduced, after which the amounts remaining owing to these Directors will be as follows:

- (a) \$273,849.33 to Jeffrey Clarke;
 - (b) \$398,379.00 to Peter Collery; and
 - (c) \$85,833.00 to Karel Louman,
- (collectively referred to as "**Deferred Entitlement Amount**")

Messrs Clarke, Collery and Louman have each agreed with the Company to further defer seeking repayment of the Deferred Entitlement Amount for a period of 12 months from the date of the Meeting on the basis that unlisted options with the terms of issue set out in Appendix D (**Deferred Entitlement Options**) are issued to each of them.

The purpose of the Deferred Entitlement Options issued pursuant to Resolutions 14, 15 and 16 (if approved) is to allow Messrs Clarke, Collery and Louman to be issued Shares in consideration for the unpaid salary and/or fees if the Deferred Entitlement Amount, or part of it, remains unpaid 12 months after the date of issue.

The Deferred Entitlement Options will be issued in consideration for the agreement by the Relevant Directors to further defer payment of their entitlements, and will have a nil exercise price. The Deferred Entitlement Options will only be able to be exercised 12 months after the date of issue (which will be immediately after the date of the Meeting), subject to the occurrence of acceleration events such as a change in control of the Company, and only to the extent the Deferred Entitlement Amount remains unpaid. The expiry date for the Deferred Entitlement Options is 13 months after the date of issue. Upon exercise each Deferred Entitlement Option will entitle the Deferred Entitlement Option holder to one Share with a deemed issue price of \$0.006, for a nil exercise price. The exercise of each Deferred Entitlement Option will also extinguish \$0.006 of the Deferred Entitlement Amount remaining unpaid to the relevant Director.

It is possible that some but not all of the Deferred Entitlement Amount is repaid to Messrs Clarke, Collery and Louman within 12 months of the date of issue, by mutual agreement. If this is the case then the Directors will only be able to exercise the number of Deferred Entitlement Options that will extinguish the unpaid portion of the Deferred Entitlement Amount remaining unpaid to the particular Director.

As Messrs Clarke, Collery and Louman are Directors of the Company, the Company cannot issue the Deferred Entitlement Options to them as proposed without first obtaining Shareholder approval in accordance with ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.

Should Shareholder approval not be granted for any of Resolutions 14, 15 and 16 then the Deferred Entitlement Amount will become immediately due and payable to Messrs Collery, Louman and Clarke in cash. The requirement, in this case, for the Company to pay the Relevant Directors the amount of their entitlements will deprive the Company of cash that could otherwise be used in its business.

Mr Watts and Mr Stretch, the Directors who will not receive any benefit under Resolutions 14, 15 and 16, consider that the agreement by Messrs Louman, Collery and Clarke to defer payment of their entitlements is advantageous to the Company by enabling it to preserve cash. Mr Watts and Mr Stretch further consider that the terms of the proposed issue of options is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the proposed issue of Deferred Entitlement Options to which Resolutions 14, 15 and 16 relate.

Messrs Louman, Collery and Clarke do not make any recommendation in relation to Resolutions 14, 15 and 16, given their interest in the Resolutions.

Reasons for Resolutions 14, 15 and 16

Listing Rule 10.11 prohibits the issue of securities to related parties of the Company (including directors) without shareholder approval in the absence of an applicable exemption (none of which are applicable in this instance). Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company (including directors) without shareholder approval in the absence of an applicable exemption. Although Chapter 2E of the Corporations Act includes exceptions from this prohibition where a financial benefit is given on arm's length terms, or as reasonable remuneration, the Company has decided not to apply these exceptions but to seek Shareholder approval for the proposed issue of options, given the significant role that the Directors have played in effecting the financial restructure of the Company, and the significance of those activities for the potential value of securities in the Company. The exercise price of the options is the last trading price of Shares, prior to 3 October 2011, being the only available value of the Company's Shares.

Accordingly, Resolutions 14, 15 and 16 each seek, for the purposes of Listing Rule 10.11, Shareholder approval to issue the specified Deferred Entitlement Options to Jeffrey Clarke, Peter Collery and Karel Louman. The terms and conditions under which each of Messrs Clarke, Collery and Louman will be issued the Deferred Entitlement Options are set out in Appendix D.

Exception 14 of Listing Rule 7.2 provides that if approval for the issue of securities is given under Listing Rule 10.11, then approval is not required under Listing Rule 7.1. Accordingly, if Resolutions 14, 15 and 16 are passed, the Company's ability to issue further securities up to 15% of the issued capital of the Company without requiring Shareholder approval at any time in the next 12 months will not be reduced by the issue of the Deferred Entitlement Options and the issue of Shares pursuant to exercise of them.

Further information in relation to Resolutions 14, 15 and 16 – Approval for issue of Deferred Entitlement Options to the Relevant Directors or their nominees

Resolutions 14, 15 and 16 seek Shareholder approval to issue, in accordance with Listing Rule 10.11 and Chapter 2E of the Corporations Act, 123,565,834 (in aggregate) of Deferred Entitlement Options to the Relevant Directors or their nominees (including a superannuation fund).

For the purposes of ASX Listing Rule 10.13, the Company provides Shareholders the following information regarding Resolutions 14, 15 and 16:

- (a) *The Deferred Entitlement Options will be issued to each Relevant Director or their respective nominees.*
- (b) *The number of Deferred Entitlement Option to be issued is 123,565,834 (in aggregate). The number of Deferred Entitlement Options to be issued to each Relevant Director is as follows:*
 - (i) *Jeffrey Clarke (or a nominee) – 45,641,556 (the number, on a post-consolidation basis, will be 4,564,156, if Resolution 8 is approved);*
 - (ii) *Peter Collery (or a nominee) – 66,396,500 (6,639,650 on a post-consolidation basis); and*
 - (iii) *Karel Louman (or a nominee) – 14,305,550 (1,430,555) on a post-consolidation basis).*
- (c) *The Deferred Entitlement Options are to be issued in consideration for the agreement by the Relevant Directors to defer payment of their entitlements to fees and remuneration. The Deferred Entitlement Options otherwise have a nil issue price.*
- (d) *The Company will issue the Deferred Entitlement Options shortly after approval is obtained, and in any case within one month of the date of the Meeting (unless otherwise extended by way of ASX granting a waiver to the Listing Rules).*
- (e) *The Deferred Entitlement Options are issued with a nil exercise price.*
- (f) *Each Deferred Entitlement Option will expire 13 months after the date of issue.*
- (g) *The terms of issue of the Deferred Entitlement Options are set out in Appendix D.*
- (h) *A voting exclusion statement is included in the Notice of Meeting.*
- (i) *No funds will be raised by the Company pursuant to the issue of Deferred Entitlement Options under Resolution 14, 15 and 16. However, the exercise of the Deferred Entitlement Options will result in the cancellation of a liability owing by the Company to the Relevant Directors.*

For the purposes of Chapter 2E of the Corporations Act, the Company provides Shareholders the following information regarding Resolution 14, 15 and 16:

- (a) *the proposed financial benefit to be given to the Relevant Directors is the issue to each of them of Deferred Entitlement Options;*
- (b) *each of the Relevant Directors, by virtue of being a Director, is a related party of the Company;*

- (c) *Mr Watts and Mr Stretch consider that:*
- (i) *the agreement by the Relevant Directors to defer payment of their entitlements and to receive options in lieu of cash has been advantageous to the Company and that proposed issue of options to the Relevant Directors on the terms proposed is in the best interests of the Company; and*
 - (ii) *if the Company is required to pay the Relevant Directors their entitlements in cash, the Company will need to consider whether it needs to obtain additional finance and otherwise review its financial position;*
- (d) *neither Mr Watts nor Mr Stretch have any interest in the outcome of Resolutions 14, 15 and 16, other than as Shareholders;*
- (e) *the Relevant Directors will have the holdings of securities in the Company set out in the table in Appendix A, if Resolutions 14, 15 and 16 are approved; and*
- (f) *the Directors are not aware of any other information that would reasonably be required by Shareholders to allow them to make an informed decision as to whether it is in the best interests of the Company to pass the Resolutions.*

14. Resolution 17: Approval of Prior Issue of Options to Nick Stretch Legal Pty Ltd

The Company seeks approval under Listing Rule 7.4 to ratify the issue of 135,781,145 unlisted options to NSL (**NSL Option Issue**) on 10 May 2013 (the same date as the Second KM Issue was made). If Shareholders approve the Share Consolidation in Resolution 8, the number of options to which this Resolution 17 relates will be 13,578,115, post-consolidation.

Background

On 10 May 2013 the Company made the NSL Option Issue, pursuant to an agreement entered into with NSL dated 19 April 2012 (**NSL Agreement**). Information regarding the issue of the options was announced by the Company on 31 January 2014.

Under ASX Listing Rule 7.1, a company may only issue equity securities in any 12 month period equal to 15% of the lowest number of ordinary shares on issue during that period without obtaining shareholder approval. By issuing 135,781,145 options to NSL, the Company used a substantial portion of the 15% placement capacity available to it under this Listing Rule.

The Company wishes to maintain a 15% placement capacity to provide it with flexibility to make further issues of equity securities as the need and strategic opportunities arise.

Accordingly, under ASX Listing Rule 7.4, the Company seeks Shareholder approval to ratify the NSL Option Issue, pursuant to Resolution 17. If Resolution 17 is approved by Shareholders, the Company's capacity to issue further equity securities during the next 12 months will not be reduced by the NSL Option Issue having occurred.

The Directors of the Company, other than Mr Stretch, unanimously recommend to Shareholders that they vote in favour of Resolution 17. Mr Stretch does not make a recommendation as he is a director of NSL, although he obtains no benefit from the NSL Option Issue.

The exercise price of the options issued pursuant to the NSL Option Issue is the last trading price of Shares prior to the trading suspension that commenced on 3 October 2011. The Directors (other than Mr Stretch, who makes no recommendation) consider that the options were issued on arm's length terms, to investors willing to provide finance to the Company during the period of the trading suspension.

Specific Information required by ASX Listing Rule 7.4

For the purposes of ASX Listing Rule 7.4 the following information is provided:

- (a) The following securities at the issue prices set out below were issued:
 - (i) *135,781,145 options with an exercise price of \$0.006 (\$0.06 post-consolidation) to NSL (NSL Option Issue); and*
- (b) *Each option will expire on the date that is two years from the date the Company's securities resume trading on the ASX.*
- (c) *The NSL Option Issue was made as consideration for the provision of finance to the Company in May 2012, pursuant to the contractual arrangements under which the NSL Funding was provided. The options issued under the NSL Option Issue otherwise have a nil issue price.*
- (d) *A voting exclusion statement is included in the Notice of Meeting.*

As set out in Appendix C, the options may be exercised by each holder by payment in cleared funds of the Exercise Price.

As at the date of the Notice of Meeting, due to the Company's Shares having been suspended from trading on ASX since 3 October 2011, the Company is not able to issue a cleansing notice under section 708A(5)(e) and section 708A(6) of the Corporations Act in respect of the issue of options or any Shares to be issued on exercise of the options. It is the intention of the Company to prepare and issue a prospectus as soon as practicable. However, if the Company does not issue a prospectus by the date on which Shares are re-admitted to quotation on ASX, the Company must ensure it is able to issue a cleansing notice in respect of Shares within 5 business days after Shares are issued to an the option holder following exercise of options.

15. Resolution 18: Approval of issue of options to NSL

The Company seeks Shareholder approval under Listing Rule 10.11 and Chapter 2E of the Corporations Act for the issue to NSL of 50,734,824 options (**Second NSL Issue**) pursuant to the NSL Agreement. If Shareholders approve the Share Consolidation in Resolution 8, the number of options to be issued pursuant to this Resolution 18 will be 5,073,483, post-consolidation.

During the period since the suspension of the Company's securities on the ASX, NSL provided \$1,250,000 in emergency funding to the Company (**NSL Funding**) which, together with the KM Funding, enabled the Company to continue operating and importantly to undertake a major financial restructuring. As announced on 31 July 2013, the Company has now completed this major financial restructuring.

Under the NSL Agreement, NSL provided for a number of investors to provide for finance to the Company, in consideration for the right to receive options comprising the Second NSL Issue. NSL itself does not have a beneficial interest in options issued pursuant to the NSL Agreement and acts as a bare trustee in respect of the rights of the investors.

The Directors consider that the NSL Funding was instrumental in achieving the financial restructuring that the Company has now completed. The NSL Emergency Funding was repaid to NSL as part of the major financial restructuring announced on 31 July 2013.

In addition to the options to which Resolution 17 applies, the Company agreed in the NSL Agreement to seek the approval of Shareholders for the issue of a further 50,734,824 options on the terms of issue set out in Appendix C (**NSL Options**).

Although NSL acts as a bare trustee in respect of the options to be issued to the investors who provided the NSL Funding, as Mr Stretch is a Director of the Company and therefore a related party, the Company seeks approval for the issue of the options to NSL for the purpose of Listing Rule 10.11 and Chapter 2E of the Corporations Act. Listing Rule 10.11 prohibits the issue of securities to related parties of the Company (including directors) without shareholder approval in the absence of an applicable exemption. Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company (including directors) without shareholder approval in the absence of an applicable exemption. Although Chapter 2E of the Corporations Act includes exceptions from this prohibition where a financial benefit is given on arm's length terms, the Company has decided not to apply this exception but to seek Shareholder approval for the proposed issue of options. The exercise price of the options is the last trading price of Shares, prior to 3 October 2011, being the only available value of the Company's Shares.

During the period between July 2012 and June 2013, the Company paid Mr Stretch an amount of, in aggregate, \$79,614.31 for invoices for legal fees incurred by investors advised by Mr Stretch in connection with their investment in the Company. The Company agreed to pay legal expenses of these investors to enable them to receive advice regarding their proposed provision of the NSL Funding. Mr Stretch's legal fees were charged at the usual hourly rates charged by NSL for legal advice. The Company considers that the payment of these expenses of the investors through NSL Funding was on arm's length terms, and no approval is required to be sought for the payment of these expenses.

As at the date of this Notice of Meeting, the Company has no capacity to make the Second NSL Issue as its 15% placement capacity has been fully utilised. Therefore, in order for the Second NSL Issue to occur Shareholder approval under Listing Rule 7.1 is required. Exception 14 of Listing Rule 7.2 provides that if approval of an issue of securities is given for the purpose of Listing Rule 10.11, it is not required for the purpose of Listing Rule 7.1

If Shareholder approval of Resolution 18 is granted, the Company will retain its capacity to make further issues of equity securities during the 12 months following the issue of the NSL Options, as necessary or as strategic opportunities arise, without reduction of the Company's capacity to issue equity securities occurring or having occurred, by virtue of the Second NSL Issue.

If Resolution 18 is not approved by the earlier of 2 months following the resumption of trading in the Company's securities and 12 months from 1 May 2013, the Company will be liable to repay the investors under the NSL Agreement in respect of the Second NSL Issue the amount of A\$608,818, being twice the underlying amount of the options still to be issued to NSL.

The Directors of the Company, other than Mr Stretch, unanimously recommend to shareholders that they vote in favour of Resolution 18.

Specific Information required by ASX Listing Rule 10.11

For the purposes of Listing Rule 10.11, as required by Listing Rule 10.13, the following information is provided:

- (a) *The number of NSL Options that may be issued is 50,734,824 (5,073,483 post-consolidation).*
- (b) *The Company will issue the NSL Options shortly after approval is obtained, and in any case within one month of the date of the Meeting.*
- (c) *The NSL Options are issued with an exercise price of \$0.006 per NSL Option (\$0.06 post-consolidation).*
- (d) *The Second NSL Issue was made as consideration for the provision of finance to the Company, pursuant to the contractual arrangements under which the NSL Funding was provided. The options issued under the Second NSL Issue otherwise have a nil issue price.*
- (e) *Each NSL Option will expire on the date that is two years from the date the Company is relisted on the ASX.*
- (f) *The NSL Options will be issued to NSL as bare trustee for investors in the Company.*
- (g) *The terms of issue of the NSL Options are set out in Appendix C.*
- (h) *Funds raised by the exercise of NSL Options will be used by the Company for working capital.*

- (i) *A voting exclusion statement is included in the Notice of Meeting.*

If all of the NSL Options are exercised by the holders, the Company will receive cleared funds on payment of the Exercise Price.

For the purposes of Chapter 2E of the Corporations Act, the Company provides Shareholders the following additional information regarding Resolution 18:

- (a) *the proposed financial benefit to be given to NSL is the issue of 50,734,824 NSL Options (5,073,483 post-consolidation);*
- (b) *NSL is a related party of the Company as a result of the fact that Mr Stretch is a director of both NSL and the Company;*
- (c) *The Directors, other than Mr Stretch, consider that:*
 - (i) *the NSL Funding was obtained to enable the Company to undertake the financial restructure and that the issue of the NSL Options is in the best interests of the Company; and*
 - (ii) *if the Company is required to pay NSL the cash amount that is payable if the NSL Options are not approved for issue, the Company will need to consider whether it needs to obtain additional finance and otherwise review its financial position;*
- (d) *none of the Directors, other than Mr Stretch and Mr Watts (see Resolution 19), has any interest in the outcome of Resolution 18, other than as Shareholders; and*
- (e) *the Directors are not aware of any other information that would reasonably be required by Shareholders to allow them to make an informed decision as to whether it is in the best interests of the Company to pass the Resolutions.*

As at the date of the Notice of Meeting, due to the Company's Shares having been suspended from trading on ASX since 3 October 2011, the Company is not able to issue a cleansing notice under section 708A(5)(e) and section 708A(6) of the Corporations Act in respect of the issue of NSL Options or any Shares to be issued on exercise of the NSL Options. It is the intention of the Company to prepare and issue a prospectus as soon as practicable. However, if the Company does not issue a prospectus by the date on which Shares are re-admitted to quotation on ASX, the Company must ensure it is able to issue a cleansing notice in respect of Shares within 5 business days after Shares are issued to NSL following exercise of NSL Options.

16. Resolution 19: Approval of Issue of options to Mr Stephen Watts

The Company seeks approval under Listing Rule 10.11 and Chapter 2E of the Corporations Act to issue options to subscribe for Shares to Mr Stephen Watts as part of the Second NSL Issue, to which Resolution 18 relates.

Mr Stephen Watts is a Director of the Company and therefore a related party. Listing Rule 10.11 prohibits the issue of securities to related parties of the Company (including directors) without shareholder approval in the absence of an applicable exemption (none of which are applicable in this instance). Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company (including directors) without shareholder approval in the absence of an applicable exemption. Although Chapter 2E of the Corporations Act includes exceptions from this prohibition where a financial benefit is given on arm's length terms, the Company has decided not to apply these exceptions but to seek Shareholder approval for the proposed issue of options to Mr Stephen Watts, pursuant to the Second NSL Issue.

Accordingly, Resolution 19 seeks, for the purposes of Listing Rule 10.11, Shareholder approval to issue the specified options to Mr Watts. The terms and conditions of the options are described in the notes to Resolution 18 above and the options to be issued to Mr Watts if this Resolution 91 is approved will be issued on the same terms as the options issued to all other investors under the Second NSL Issue.

Specific Information required by ASX Listing Rule 10.11

Resolution 19 seeks Shareholder approval to issue, in accordance with Listing Rule 10.11, 2,029,393 options under the Second NSL Issue to Mr Stephen Watts (202,940 on a post-consolidation basis).

For the purposes of ASX Listing Rule 10.13, the Company provides Shareholders with the following information regarding Resolution 19:

- (a) *The options will be issued to Mr Stephen Watts.*
- (b) *The number of options to be issued is 2,029,393 (202,940 on a post-consolidation basis), which are within the 50,734,824 options (5,073,483 post-consolidation) to which Resolution 18 relates.*
- (c) *The Company will issue the NSL Options shortly after approval is obtained, and in any case within one month of the date of the Meeting.*
- (d) *The NSL Options are issued with an exercise price of \$0.006 per NSL Option (\$0.06 post-consolidation).*
- (e) *The Second NSL Issue was made as consideration for the provision of finance to the Company, pursuant to the contractual arrangements under which the NSL Funding was provided. The options issued under the Second NSL Issue to Mr Stephen Watts otherwise have a nil issue price.*
- (f) *Each NSL Option will expire on the date that is two years from the date the Company is relisted on the ASX.*
- (g) *The terms of issue of the NSL Options are set out in Appendix C.*
- (h) *Funds raised by the exercise of NSL Options will be used by the Company for working capital.*

For the purposes of Chapter 2E of the Corporations Act, the Company provides Shareholders the following information regarding Resolution 19:

- (i) *the proposed financial benefit to be given to Mr Stephen Watts is the issue of 2,029,393 NSL Options (202,940 post-consolidation);*
- (j) *Mr Watts, by virtue of being a Director, is a related party of the Company;*
- (k) *the Directors other than Mr Stretch and Mr Watts consider that the issue of NSL Options to Mr Watts is on the same terms as other subscribers for NSL Options and is in the best interests of the Company; and*
- (l) *the Directors are not aware of any other information that would reasonably be required by Shareholders to allow them to make an informed decision as to whether it is in the best interests of the Company to pass the Resolution.*

As at the date of the Notice of Meeting, due to the Company's Shares having been suspended from trading on ASX since 3 October 2011, the Company is not able to issue a cleansing notice under section 708A(5)(e) and section 708A(6) of the Corporations Act in respect of the issue of NSL Options or any Shares to be issued on exercise of the NSL Options. It is the intention of the Company to prepare and issue a prospectus as soon as practicable. However, if the Company does not issue a prospectus by the date on which Shares are re-admitted to quotation on ASX, the Company must ensure it is able to issue a cleansing notice in respect of Shares within 5 business days after Shares are issued to Mr Stephen Watts following exercise of NSL Options.

17. **Resolution 20: Approval of Issue of Shares and options to Holders of Convertible Notes**

The Company seeks approval under Listing Rule 7.1 to issue Shares and options to subscribe for Shares pursuant to the conversion of 11,000 convertible notes (**Convertible Notes**) issued on 2 August 2013 (**Convertible Note Issue**). The convertible notes were issued on the condition that their conversion is subject to Shareholder approval and accordingly the number of Shares and options into which the convertible notes may convert was not included in the Company's calculation of its issuing capacity under Listing Rule 7.1 at the time the convertible notes were issued. If Shareholder approval of conversion of the convertible notes is not obtained, the convertible notes will constitute a debt of the Company.

The Convertible Note Issue included the issue of 900 Convertible Notes to a family entity of Mr Stephen Watts. As Mr Stephen Watts is a related party of the Company, Resolution 21 seeks approval for the issue of Shares and options to that entity following conversion of the 900 Convertible Notes held by it, for the purpose of Listing Rule 10.11 and Chapter 2E of the Corporations Act, while Resolution 20 seeks approval for conversion of the balance of the Convertible Note Issue.

Background

On 2 August 2013 the Company announced that it had completed the issue of Convertible Notes, raising \$1.1 million from a number of professional and sophisticated investors. Each Convertible Note:

- has a face value of \$100;
- matures on 2 August 2014;
- is unsecured;
- carries a coupon rate of 12% per annum on the face value of the Convertible Notes. Interest is payable quarterly in arrears and is to be satisfied by the issue of Shares at \$0.006 per Share (\$0.06 post-consolidation), being the last traded share price of Shares; and
- converts into Shares at an issue price of \$0.006 per Share (\$0.06 post-consolidation), and options to subscribe for Shares with an exercise price of \$0.01 per option (\$0.10 post-consolidation) and an exercise period of two years commencing on the date of conversion. One option will be issued for every two Shares issued on conversion.

If all the Convertible Notes are converted into Shares and the interest payable in respect of Convertible Notes is paid in full by the issue of Shares and options, then a total of 205,333,333 additional Shares (including Shares issued in payment of interest) and 91,666,666 unlisted options will be issued pursuant to the terms of the Convertible Notes (including the securities to which Resolution 20 relates). Resolution 20 seeks approval for 16,800,000 of these Shares and 7,500,000 options to be issued to a related party of the Company. If Shareholders approve the Share Consolidation in Resolution 8, the total number of Shares and options that may be issued will be 20,533,333 and 916,667 respectively, and the number of Shares and options to which Resolution 21 relates will be 1,680,000 and 750,000, respectively.

Each holder of Convertible Notes has informed the Company that they intend to exercise their right to convert their Convertible Notes and be issued Shares and options, following the resumption of trading of the Company's securities on ASX.

Reasons for Resolution 20

Under ASX Listing Rule 7.1, a company may only issue equity securities in any 12 month period equal to 15% of the lowest number of ordinary shares on issue during that period without obtaining shareholder approval. The Company issued the Convertible Notes on the basis that the issue of Shares and options on conversion would be subject to Shareholder approval, in order to ensure that it would be able to convert all the Convertible Notes without exceeding its 15% placement capacity under the Listing Rules.

By obtaining Shareholder approval for the conversion of Convertible Notes, the Company will be able to preserve its 15% placement capacity to provide it with flexibility to make further issues of equity securities as the need and strategic opportunities arise.

Accordingly, under Resolution 20 the Company seeks Shareholder approval to issue Shares and options that may be issued pursuant to the conversion of Convertible Notes. If Resolution 20 is approved by Shareholders, the Company's capacity to issue further equity securities during the next 12 months will not be reduced by the Convertible Note Issue and conversion having occurred.

The Directors of the Company (other than Mr Stephen Watts – see notes below in respect of Resolution 21) unanimously recommend to Shareholders that they vote in favour of Resolution 20.

Specific Information required by ASX Listing Rule 7.1

For the purposes of ASX Listing Rule 7.1 the following information is provided:

- (a) *11,000 Convertible Notes were issued at \$100 per Convertible Note (including the Convertible Notes to which Resolution 20 relates).*
- (b) *Each Convertible Note:*
 - (i) *has a face value (and issue price) of \$100;*
 - (ii) *matures on 2 August 2014;*
 - (iii) *is unsecured;*
 - (iv) *carries a coupon rate of 12% per annum on the face value of the Convertible Notes. Interest is payable quarterly in arrears and is to be satisfied by the issue of Shares at \$0.006 per Share (\$0.06 post-consolidation), being the last traded share price of Shares; and*
 - (v) *converts into:*
 - (A) *Shares at an issue price of \$0.006 per Share (\$0.06 post-consolidation); and*
 - (B) *options to subscribe for Shares with an exercise price of \$0.01 (\$0.10 post-consolidation) per option and an exercise period of two years commencing on the date of conversion. One option will be issued for every two Shares issued on conversion. The options are attached to the Shares to be issued on conversion and otherwise have a nil issue price.*
- (c) *Subscribers for Convertible Notes were identified by advisers to the Company from professional investors with an interest in the Company.*
- (d) *The \$1.1 million in funds raised from the issue of the Convertible Notes is being used to fund the Company's ongoing operations, administration and to provide working capital.*
- (e) *A voting exclusion statement is included in the Notice of Meeting.*

As at the date of the Notice of Meeting, due to the Company's Shares having been suspended from trading on ASX since 3 October 2011, the Company is not able to issue a cleansing notice under section 708A(5)(e) and section 708A(6) of the Corporations Act in respect of the issue of Convertible Notes or any Shares to be issued pursuant to the terms of issue of the Convertible Notes. It is the intention of the Company to prepare and issue a prospectus as soon as practicable. However, if the Company does not issue a prospectus by the date on which Shares are re-admitted to quotation on ASX, then the Company must give to ASX a cleansing notice in respect of the relevant Shares within 5 business days after Shares are issued to the Convertible Note holder pursuant to the terms of issue of the Convertible Notes.

18. Resolution 21: Approval of Issue of Shares and options to entity associated with Stephen Watts in respect of Convertible Notes

The Company seeks approval under Listing Rule 10.11 and Chapter 2E of the Corporations Act to issue Shares and options to subscribe for Shares to an entity associated with Mr Stephen Watts, pursuant to the conversion of up to 900 Convertible Notes for which that entity subscribed as part of the Convertible Note Issue described above in relation to Resolution 20. The 900 Convertible Notes plus accrued interest may convert into 16,800,000 Shares and 7,500,000 options (1,680,000 Shares and 750,000 options on a post-consolidation basis).

As described above, in relation to Resolution 20, the convertible notes were issued on the condition that their conversion is subject to Shareholder approval and accordingly the number of Shares and options into which the convertible notes may convert was not included in the Company's calculation of its issuing capacity under Listing Rule 7.1 at the time the convertible notes were issued. If Shareholder approval of conversion of the convertible notes issued to the entity associated with Mr Stephen Watts is not obtained, the relevant convertible notes will constitute a debt of the Company.

Mr Stephen Watts is a Director of the Company and therefore a related party. Listing Rule 10.11 prohibits the issue of securities to related parties of the Company (including directors) without shareholder approval in the absence of an applicable exemption (none of which are applicable in this instance). Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company (including directors) without shareholder approval in the absence of an applicable exemption. Although Chapter 2E of the Corporations Act includes exceptions from this prohibition where a financial benefit is given on arm's length terms, the Company has decided not to apply these exceptions but to seek Shareholder approval for the proposed issue of Shares and options on conversion of Convertible Notes and pursuant to the payment of interest.

Accordingly, Resolution 21 seeks, for the purposes of Listing Rule 10.11, Shareholder approval to issue the specified securities to Mr Watts' family entity. The terms and conditions of the Convertible Notes are described in the notes to Resolution 20 above and the Convertible Notes issued to Mr Watts' family entity were issued on the same terms as the Convertible Notes issued to all other investors.

For the purposes of Listing Rule 10.11, the following information is provided:

- (a) *This Resolution 21 relates to 900 Convertible Notes issued to a family entity of Mr Stephen Watts.*
- (b) *Each Convertible Note:*
 - (i) *has a face value (and issue price) of \$100;*
 - (ii) *matures on 2 August 2014;*
 - (iii) *is unsecured;*
 - (iv) *carries a coupon rate of 12% per annum on the face value of the Convertible Notes. Interest is payable quarterly in arrears and is to be satisfied by the issue of Shares at \$0.006 per Share (\$0.06 per Share post-consolidation), being the last traded share price of Shares; and*
 - (v) *converts into:*
 - (A) *Shares at an issue price of \$0.006 per Share (\$0.06 post-consolidation); and*
 - (B) *options to subscribe for Shares with an exercise price of \$0.01 (\$0.10 post-consolidation) per option and an exercise period of two years commencing on the date of conversion. One option will be issued for every two Shares issued on conversion. The options are attached to the Shares to be issued on conversion and otherwise have a nil issue price.*
- (c) *Subscribers for Convertible Notes were identified by advisers to the Company from professional investors with an interest in the Company. Mr Stephen Watts family entity participated in the Convertible Note Issue on the same basis as other investors.*
- (d) *The funds raised from the issue of the Convertible Notes is being used to fund the Company's ongoing operations, administration and to provide working capital.*
- (e) *A voting exclusion statement is included in the Notice of Meeting.*

For the purposes of Chapter 2E of the Corporations Act, the Company provides Shareholders the following information regarding Resolution 21:

- (a) *the proposed financial benefit to be given to Mr Watts, through the holder of Convertible Notes, is the issue of Shares and options on the same terms as other holders of Convertible Notes*

- (b) *Mr Watts, by virtue of being a Director, is a related party of the Company;*
- (c) *the Directors other than Mr Watts consider that the participation by Mr Watts' family entity is on the same terms as other holders of Convertible Notes and the issue of Shares and options on conversion and pursuant to the liability to pay interest is in the best interests of the Company;*
- (d) *no Director other than Mr Watts has any interest in the outcome of Resolution 21 other than as Shareholders; and*
- (e) *the Directors are not aware of any other information that would reasonably be required by Shareholders to allow them to make an informed decision as to whether it is in the best interests of the Company to pass the Resolution.*

The Directors other than Mr Watts recommend that Shareholders vote in favour of this Resolution 21. Mr Watts makes no recommendation.

Mr Watts has informed the Company that he intends to exercise his right to convert the Convertible Notes held by him to be issued Shares and options following the resumption of trading in the Company's securities on ASX.

19. Resolution 22: Approval of Issue of New Listed Options to Expired Optionholders

The Company seeks Shareholder approval under Listing Rule 7.1, for the issue of 139,326,777 listed options to the persons who, together with the persons to which Resolutions 23 to 26 relate (approval for a further 55,460,909 New Listed Options will be sought under these Resolutions), were the registered holders (**Expired Option Holders**) of the listed options (ASX ticker MAEOA) on 10 December 2012, being the date the listed options expired. If Shareholders approve the Share Consolidation in Resolution 8, the number of New Listed Options to be issued under Resolution 22 will be 13,932,678, and under Resolutions 22 to 25 will be 5,546,091, on a post-consolidation basis.

Background

Prior to the suspension of the Company's securities on the ASX on 3 October 2011, the Company had on issue options that were listed on the ASX with the ticker symbol MAEOA (**Expired Options**). At the time of suspension, there were 282 Expired Option Holders and, prior to suspension, there had been reasonably active levels of trading in the Expired Options. The Expired Options had an exercise price of 2.5 cents a Share and expired on 10 December 2012. As a result of the suspension of the Company's securities on ASX, the Expired Option Holders were unable to trade their Expired Options and none of the Expired Option Holders exercised any of the Expired Options prior to their expiry.

The Board has resolved that, given the Expired Options were unable to be traded for much of the term of their existence due to circumstances beyond the control of the option holders, it will seek shareholder approval to issue 194,787,686 new listed options (**New Listed Options**) to the Expired Option Holders on the following basis:

- One New Listed Option for each two (2) Expired Options previously held.
- Exercise price to be \$0.015 each (\$0.15 post-consolidation).
- New Listed Options to be issued for no consideration, with a nil issue price.
- New Listed Options to have an exercise period of 15 months commencing on the date of issue of the New Listed Options.
- Application to be made to ASX for the New Listed Options to be listed.

The terms of issue for the New Listed Options are set out in Appendix E which forms part of the Notice of Meeting. This Resolution 22 seeks approval for the issue of 139,326,777 New Listed Options (13,932,678, on a post-consolidation basis), with Resolutions 23 to 26 seeking approval for the issue of the balance of the total of 194,787,686 New Listed Options (19,478,769 on a post-consolidation basis) to related parties of the Company.

Reasons for Resolution 22

As at the date of this Notice of Meeting, the Company has no capacity to issue the New Listed Options as its 15% placement capacity is fully utilised. Therefore, in order for the New Listed Options to be issued, Shareholder approval under Listing Rule 7.1 is required.

If Shareholder approval of Resolution 22 is granted, the Company will retain its capacity to make further issues of equity securities during the 12 months following the issue of the Options, as necessary or as strategic opportunities arise, without reduction of the Company's capacity to issue equity securities occurring by virtue of the issue of New Listed Options.

Mr Nicholas Stretch, the Director who does not have an interest in this Resolution or Resolutions 23 to 26 recommends to Shareholders that they vote in favour of Resolution 22.

Specific Information required by ASX Listing Rule 7.1

For the purposes of Listing Rule 7.1 the following information is provided:

- (a) *The maximum number of New Listed Options to be issued is 139,326,777 (13,932,678 on a post-consolidation basis).*
- (b) *The Company will issue the New Listed Options shortly after approval is obtained, and in any case within 3 months of the date of the Meeting.*
- (c) *The New Listed Options are issued with an exercise price of \$0.015 per New Listed Option (\$0.15 on a post-consolidation basis).*
- (d) *The New Listed Options have a nil issue price.*
- (e) *Each New Listed Option will expire 15 months from the date of issue.*
- (f) *The New Listed Options will be issued to the registered holders of the Expired Options as at 7pm Australian Eastern Daylight Time on 10 December 2012.*
- (g) *The terms of issue of the New Listed Options are set out in Appendix E.*
- (h) *A voting exclusion statement is included in the Notice of Meeting.*
- (i) *Funds raised from the exercise of New Listed Options will be used by the Company for working capital.*

20. Resolutions 23 to 26: Approval of Issue of New Listed Options to Stephen Watts, Karel Louman, Peter Collery and Jeffrey Clarke

The Company seeks Shareholder approval under Listing Rule 10.11 and Chapter 2E of the Corporations Act for the issue of New Listed Options to the trustee for the Watts Family Trust pursuant to Resolution 22, and to Messrs Louman, Collery and Clarke or their respective nominees pursuant to Resolutions 23 to 26.

Background

The trustee for the Watts Family Trust, Karel Louman, Peter Collery, and Jeffrey Clarke (directly or through nominee entities) were the registered holders of Expired Options on 10 December 2012.

Each of these holders held the Expired Options on the same terms as all other holders of options in the same class.

Reasons for Resolutions 23 to 26

Listing Rule 10.11 prohibits the issue of securities to related parties of the Company (including directors) without shareholder approval in the absence of an applicable exemption (none of which are applicable in this instance). Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company (including directors) without shareholder approval in the absence of an applicable exemption. An exemption is available where a financial benefit is given to a related party of the Company on arm's length terms. Although the New Listed Options to be issued to the trustee for the Watts Family Trust, Messrs Louman, Collery and Clarke will be issued on identical terms to other New Listed Options, which are intended to compensate Expired Optionholders for the loss of the opportunity to exercise the Expired Options, the Directors have decided not to rely on the

arm's length exception and to seek Shareholder approval for the issue of the New Listed Options to these holders.

Mr Nicholas Stretch, the Director who has no interest in the Resolutions, recommends that Shareholders vote in favour of Resolutions 23 to 26. The other Directors are precluded from voting or making a recommendation

Specific Information required by ASX Listing Rule 10.11

Resolutions 23 to 26 seek Shareholder approval to issue, in accordance with Listing Rule 10.11, New Listed Options to:

- Trustee as trustee for the Watts Family Trust – 4,260,909 New Listed Options (426,091 on a post-consolidation basis);
- Mr Karel Louman (or nominee) – 16,742,200 New Listed Options (1,674,220 on a post-consolidation basis);
- Mr Peter Collery (or nominee) – 16,903,400 New Listed Options (1,690,340 on a post-consolidation basis); and
- Mr Jeffrey Clarke (or nominee) – 17,554,400 New Listed Options (1,755,440 on a post-consolidation basis).

For the purposes of ASX Listing Rule 10.13, the Company provides Shareholders with the following information regarding Resolutions 23 to 26:

- (a) *The New Listed Options will be issued to:*
 - (i) *the trustee for the Watts Family Trust;*
 - (ii) *Mr Karel Louman (or nominee);*
 - (iii) *Mr Peter Collery (or nominee); and*
 - (iv) *Mr Jeffrey Clarke (or nominee).*
- (b) *New Listed Options will be issued to the trustee of the Watts Family Trust and may be issued to nominees of Messrs Louman, Collery and Clarke, such as family trusts or superannuation funds.*
- (c) *The number of New Listed Options to be issued is 55,460,909 (5,546,091 on a post-consolidation basis), which are in addition to the New Listed Options to which Resolution 22 relates.*
- (d) *The Company will issue the New Listed Options shortly after approval is obtained, and in any case within one month of the date of the Meeting (unless otherwise extended by way of ASX granting a waiver to the Listing Rules).*
- (e) *The New Listed Options are issued with an exercise price of the Options is \$0.015 per Option (\$0.15 on a post-consolidation basis).*
- (f) *The New Listed Options have a nil issue price.*
- (g) *Each New Listed Option will expire 15 months from the date of issue.*
- (h) *The terms of issue of the New Listed Options are set out in Appendix E.*
- (i) *A voting exclusion statement is included in the Notice of Meeting.*
- (j) *Funds raised from the exercise of New Listed Options will be used by the Company for working capital.*

For the purposes of Chapter 2E of the Corporations Act, the Company provides Shareholders the following information regarding Resolutions 23 to 26:

- (a) *the proposed financial benefit to be given to the related parties is the issue of New Listed Options on the same terms as other holders of Expired Options;*
- (b) *Messrs Watts, Collery, Louman and Clarke, by virtue of being a Director are related parties of the Company;*
- (c) *Mr Stretch considers that the issue of New Listed Options to these related parties is on the same terms as other holders of Expired Options and is in the best interests of the Company; and*
- (d) *the Directors are not aware of any other information that would reasonably be required by Shareholders to allow them to make an informed decision as to whether it is in the best interests of the Company to pass the Resolution.*

21. Resolution 27: Issue of shares and options to employees and contractors

The Company seeks Shareholder approval under Resolution 27 for the issue to certain employees and contractors of the Company of up to 10,000,000 shares, and 103,000,000 options (in total) to subscribe for Shares with an exercise price of \$0.006 and an expiry date that is two years from the date of issue, for no consideration (**Employee and Contractor Options**). If Shareholders approve the Share Consolidation in Resolution 8, the number of shares which may be issued will be 1,000,000, and the number of options which may be issued will be 10,300,000 on a post-consolidation basis, and their exercise price will be \$0.06.

Background

The Company wishes to issue shares and Employee and Contractors Options to certain employees and contractors of the Company to compensate them for services provided to the Company during the restructuring process and to further align the interests of those employees and contractors with those of the Company. The Company has a number of long-serving employees and contractors whose service to the Company is important to the achievement of the Company's operational goals. The Directors wish to provide these employee and contractors with the opportunity to subscribe for Shares, by issuing Employee and Contractor Options to them.

The Employee and Contractors Options will not be quoted on ASX, and they will not be able to be transferred in any other way. If the holders of the Employee and Contractor Options wish to exercise them, they must pay the exercise price to the Company (through which the Company will receive funds) before the expiry date. If a holder of Employee and Contractor Options does not exercise any or all of the Employee and Contractor Options, they will expire on the expiry date and no Shares will be issued in respect of them.

The main terms of the Employee and Contractor Options are:

- Each Employee and Contractor Option entitles the holder to subscribe for one Share.
- Exercise price to be \$0.006 (\$0.06 on a post-consolidation basis).
- Employee Options to be issued for no consideration, with a nil issue price.
- Employee Options to have an exercise period of 2 years commencing on the date of issue of the Employee and Contractor Options. Employee Options will expire prior to the expiry date if the employment of the holder is terminated for cause, but not if the holder is made redundant, becomes unable to continue employment due to illness or injury, or dies.
- Employee and Contractor Options will not be quoted on ASX or any other financial market, and may not be assigned or transferred.

The terms of issue for the Employee and Contractor Options are set out in Appendix F which forms part of the Notice of Meeting.

The Company anticipates that Employee and Contractor Options may be issued to between 6 and 10 employees and contractors of the Company, located in the United States. The maximum number of Options that may be issued to an individual is 20,000,000 (pre-consolidation), although the Directors may determine to issue a lesser number or not to issue Employee and Contractor Options to any employees or contractors.

No Employee and Contractor Options will be issued to Directors of the Company.

Reasons for Resolution 27

As at the date of this Notice of Meeting, the Company has no capacity to issue the shares and Employee Options as its 15% placement capacity is fully utilised. Therefore, in order for the shares and Employee and Contractor Options to be issued, Shareholder approval under Listing Rule 7.1 is required.

If Shareholder approval of Resolution 27 is granted, the Company will retain its capacity to make further issues of equity securities during the 12 months following the issue of the Employee and Contractor Options, as necessary or as strategic opportunities arise, without reduction of the Company's capacity to issue equity securities occurring by virtue of the issue of the shares Employee and Contractor Options.

The Directors unanimously recommend to Shareholders that they vote in favour of Resolution 27.

Specific Information required by ASX Listing Rule 7.1

For the purposes of Listing Rule 7.1 the following information is provided:

- (a) *The maximum number of Employee Options to be issued is 103,000,000 (10,300,000 on a post-consolidation basis).*
- (b) *The Company will issue the Employee Options shortly after approval is obtained, and in any case within 3 months of the date of the Meeting.*
- (c) *The Employee Options are issued with an exercise price of \$0.006 per Employee Option (\$0.06 on a post-consolidation basis).*
- (d) *The Employee Options have a nil issue price.*
- (e) *Each Employee Option will expire 2 years from the date of issue.*
- (f) *The terms of issue of the Employee Options are set out in Appendix F.*
- (g) *A voting exclusion statement is included in the Notice of Meeting.*
- (h) *Funds raised from the exercise of Employee Options will be used by the Company for working capital.*

