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**PEAK OIL& GAS LIMITED
ABN 79 131 843 868**

RIGHTS ISSUE

NON-RENOUNCEABLE PRO RATA OFFER OF NEW SHARES AT AN ISSUE PRICE OF \$0.01 (1 CENT) PER SHARE ON THE BASIS OF TWO NEW SHARES FOR EVERY FIVE SHARES HELD ON THE RECORD DATE TO RAISE APPROXIMATELY \$1,943,580

THE ISSUE IS FULLY UNDERWRITTEN BY OCTANEX NL (ABN 61 005 632 315)

Any investment in the Company's shares should be considered speculative.

INVESTORS SHOULD OBTAIN PROFESSIONAL INVESTMENT ADVICE BEFORE ACCEPTING ANY OFFER OR INVITATION TO SUBSCRIBE FOR SHARES CONTAINED HEREIN.

DIRECTORS

E. Geoffrey Albers (Chairman)
D. Jeffrey Steketee
James Durrant
Frank Jacobs

COMPANY SECRETARY

Raewyn Clark

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THE STATEMENTS BELOW ARE IMPORTANT APPLICANTS SHOULD READ CAREFULLY BEFORE CONTINUING FURTHER

FORWARD LOOKING STATEMENTS

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

APPLICATION FOR LISTING ON ASX

Application will be made for Official Quotation of the securities offered under this Rights Issue document on ASX Limited ("ASX"). The fact that ASX may list the securities is not to be taken in any way as an indication of the merits of the Company or the Shares. ASX takes no responsibility for the contents of this Rights Issue document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this Rights Issue document.

SUITABILITY OF INVESTMENT AND RISK FACTORS

Before deciding to invest in the Company, potential investors should read the entire Rights Issue document, in particular, the summary of the Company's high risk petroleum exploration business and activities in Section 4 and the risk factors in Section 6. They should carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer, licensed financial adviser or other professional adviser before deciding to invest in any securities that are the subject of this Rights Issue document.



Dear Fellow Shareholder,

On behalf of the Board of Peak Oil & Gas Limited ("**Peak**" or the "**Company**"), it is my pleasure to invite you to participate in the Company's non-renounceable pro rata rights issue of two (2) new Shares for every five (5) Shares held and registered at 7.00pm (AWST) on 6th January 2014 ("**Record Date**") at an issue price of \$0.01 (1 cent) per new Share ("**Rights Issue**").

The Rights Issue is fully underwritten by Octanex N L ("**Octanex**"), details of which are set out in Section 5. Octanex is a company listed on the ASX and is associated with our Chairman, Mr Ernest Geoffrey Albers ("**Mr Albers**") and his Associates.

The Rights Issue, of approximately 194,358,098 million shares, will raise approximately \$1,943,000 (before costs) and be applied primarily to the Company's North Sumatra South Block A exploration program and otherwise for working capital purposes.

The issue price of \$0.01 (1 cent) per new Share ("**Issue Price**") is at a premium to the VWAP of shares in Peak over the last nine months, which is approximately \$0.008 (0.8 of a cent). However, the Issue Price is significantly below the net asset backing of each Peak share based on the audited accounts of Peak as at 30 June 2013 and below the price at which shares in Peak were last placed with the approval of the then members of Peak. Please refer to section 1 at page 3 describing the Offer under the sub-heading "*Determination of Issue Price*" for more information on determination of the Issue Price.

The Rights Issue is being undertaken as a precursor to a possible merger with Octanex which would see Peak's members exchange their Peak Shares for new fully paid ordinary shares in Octanex ("**Octanex Shares**") on a basis yet to be determined.

The proposed merger ("**Merger**") would be implemented by a Scheme of Arrangement ("**Scheme**") under which Peak's members exchange their Peak shares for Octanex shares. The consideration for the Merger will be the issue of such Octanex Shares that attribute a value of not less than \$0.01 (1 cent) to each Peak share ("**Scheme Consideration**"), thus setting a minimum consideration equal to the Issue Price, with the full consideration to be determined in Q1, 2014.

Negotiations on the full terms of the proposed merger, which will require approval of Peak's Members and the Supreme Court, will be finalised during the first quarter of 2014, after the Matuku #1 well, in which Octanex has a 22.5% carried interest, has been drilled in the Taranaki Basin, Offshore New Zealand.

Notwithstanding the above, and whether the Merger is, or is not, approved by Peak's members, it is intended that Peak will remain a focused upstream oil and gas company with an attractive combination of near-term production and exploration assets located in the Asia-Pacific region. Subject to achieving the necessary funding, Peak's strategy is to continue advancing its projects in Indonesia and the Philippines with the objective of becoming a producer in 2015 whilst seeking to grow its exploration and development portfolio across the region.

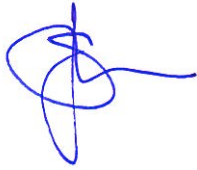
Updates of Peak's activities have been placed on the Company's website (and lodged with ASX) for your review (www.peakoil-gas.com) and go to the Announcements page for Peak).

I encourage you to read this Rights Issue document in full, in particular the Risk Factors set out in Section 6, before deciding whether to take up your entitlement under the Rights Issue. Should you have any doubts about what action to take, you should consult your stockbroker, accountant or other professional advisor.

On behalf of the Board, I invite you to consider this investment opportunity and look forward to your continuing support of the Company.

As mentioned above, the issue is fully underwritten by Octanex, which is a company listed on ASX and associated with Mr E G Albers, who, with his Associates, is a substantial shareholder in Peak, holding or controlling 169,056,575 shares in Peak representing approximately 34.79% of Peak's present issued capital. The possible effect of the underwriting on the control of Peak is discussed in Section 1. Extensive details about Octanex are set out in Section 5.

For and on behalf of the Board

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Jeff Steketee
Managing Director
24 December 2013

Section 1

DETAILS OF THE OFFER

THE OFFER

Before making a decision to invest in or subscribe for Shares, Members should read this Rights Issue document in full, with particular regard to the risk factors and their own investment parameters and, as necessary, should seek independent professional advice from appropriate advisers. An investment in Peak should be considered as a speculative investment.

The funds raised under the Rights Issue, together with Peak's existing funds, will enable Peak to advance the SBA seismic operations currently underway, commence pre-drilling operations for an exploration well in 2014, and to meet its ongoing overheads up to approximately the end of April 2014, by which time it is anticipated Peak members will have had the opportunity to consider whether to approve or reject the proposed Merger.

If the proposed Merger is approved by Peak members at that time, subsequent funding as required would be obtained from Octanex. However, if the proposed merger is rejected, subsequent funding would be required to be obtained from one or more of a combination of new share issues (by placement or otherwise), by sale of assets or by farmout of interests in Peak projects.

PRO RATA RIGHTS ISSUE

This Rights Issue is an offer of approximately 194,358,098 new Shares under section 708AA of the Corporations Act.

The issue is fully underwritten by Octanex NL (ABN 61 005 632 315), which is a company associated with Mr E G Albers.

The issue price of \$0.01 (1 cent) per new Share ("**Issue Price**") is at a premium to the VWAP of shares in Peak over the last nine months, which is approximately \$0.008 (0.8 of a cent). Factors which led to determination of that Issue Price are outlined below.

Determination of Issue Price

The Issue Price was determined at \$0.01 (1 cent) per Share having regard to a wide range of factors including that:

- (a) the last placements of shares in Peak were at 1.5 cents and 2 cents respectively;
- (b) trading in Peak shares is at an all time low and does not, in the Board's opinion, reflect the underlying value of a Peak share, based on the net asset backing of each Peak share;
- (c) an Issue Price at a deep discount to market would dilute the interests of all Peak Members by requiring a much larger number of Shares to be issued to raise the same funds, while not necessarily increasing substantially the prospects of raising such funds, and may have the effect of increasing the level of control of Peak in the hands of the Underwriter at a higher level than would otherwise occur;
- (d) without a change in circumstances for Peak, which might be resolution of the outstanding dispute with Cadco (formerly Blade Petroleum Philippines Limited), an issue price at or below market, or even at a deep discount to market, would not necessarily provide an incentive to Peak Members to take up their Entitlements, given the very limited market for Peak shares over the past 9 months and the comparatively thin trading in Peak shares at an ever decreasing price;
- (e) Conversely, the present Issue Price, which is set in the context that there will be comparatively low acceptance levels unless there is a change in circumstances for Peak, extracts a further premium from the Underwriter above the current market price of Peak shares as indicated by the VWAP for Peak shares over the past 9 months;
- (f) In the context of a control transaction, if the Rights Issue and Underwriting are to be regarded as such, based on the same methodology as used by Stantons International Securities in their independent experts report to members of Peak relating to the placement of shares to Mr Albers at the general meeting held on 12 April 2013, the transaction would be likely to be classified as reasonable as the Issue Price (and therefore the price paid by the Underwriter for any Shortfall taken up) is at a premium to the average market price of shares in Peak as measured by the VWAP of Peak shares in the last 9 months;

- (g) the negotiations with Cadco, if they result in an agreement being entered into between Peak and that party, may assist to reverse the decline in the Peak share price so that the Issue Price is more in line with the net asset backing of Peak shares, stimulating acceptance levels generally and leading to Members wishing to apply for Shortfall shares.

Members Entitlements

Peak invites all of its members who are registered at 7.00pm (AWST) on 6 January 2014 (“**Record Date**”) and who have a registered address in Australia or New Zealand (“**Members**”) to participate in this non renounceable pro rata Rights Issue on the basis of two (2) new fully paid ordinary Shares in the Company for every five (5) Shares held on the Record Date, at the Issue Price of \$0.01 (1 cents) per Share.

This Rights Issue document will be sent to all Members as at the Record Date. This Rights Issue document will also be available from the Company’s website: www.peakoil-gas.com.

Shares to be issued under this Rights Issue are ordinary shares and will rank equally with all other ordinary shares on issue from the date of issue and allotment. Details of the rights and liabilities attaching to the Shares are set out in Section 7 below.

A personalised Entitlement and Acceptance Form, which sets out each Member’s entitlement to Shares and the right to apply for Shortfall Shares, accompanies this Rights Issue document. See below for further information.

Member’s rights to apply for Shortfall Shares

All Members, other than related parties, are entitled to apply for any Shares not taken up (“**Shortfall Shares**”) on the basis that, subject to the Directors’ and Underwriter’s absolute right to reject any Application for Shortfall Shares generally, the Directors have resolved that applications for Shortfall Shares shall be afforded priority on a first come first served basis.

While nothing shall override the Directors’ and Underwriter’s absolute discretion to accept or reject any Application for Shortfall Shares, the Directors and the Underwriter propose that Applications for Shortfall Shares will generally be accepted in the order they are received. Applications for Shortfall Shares received on the same day will generally be accorded equal priority with allocations being made on a pro rata basis having regard to the size of existing holdings.

In amplification of the above, except in relation to specific Entitlements of Members as set out in personalised Entitlement and Acceptance Forms, the Directors and the Underwriter specifically reserve the absolute right to accept or reject (in whole or in part) any Application for Shortfall Shares received.

Applications for Shortfall Shares will only be accepted to the extent of the Shortfall.

MATTERS RELEVANT FOR CONSIDERATION IN DECIDING WHETHER TO TAKE UP THEIR ENTITLEMENTS AND APPLY FOR SHORTFALL SHARES

In considering the Rights Issue you should have regard to the following matters.

Full subscription of the Rights Issue will provide Peak with funding to enable it to meet present corporate expenses and its funding obligations for South Block A up until the end of April 2014, depending on the progress of the seismic program in South Block A, on the basis that, by then, the terms and conditions of the proposed merger with Octanex will have been finalized and the merger proposal will be able to be put to Peak’s members for their consideration and, if thought fit, approval.

If, at that time, the proposed merger terms have not been agreed, Peak will need to raise further funds to continue operations unless, by that time, the proposed settlement of Peak’s dispute with Cadco relating to SC6 Cadlao has been resolved with agreements having been executed and the settlement moneys having been received.

Depending on the outcome of various matters between the date of this Rights Issue and the date of the proposed merger between Peak and Octanex, it may be considered by Peak members that considerable inherent value in Peak and its assets may be realized from South Block A operations and from negotiations relating to SC 6 Cadlao which may have both a positive effect on the underlying asset value of Peak and a positive flow-on effect on Peak’s share price.

The Rights Issue must be considered in the light of the proposed merger between Peak and Octanex, which was notified to the market in Peak's announcement of 15 November 2013.

Octanex has agreed that the minimum consideration to be provided under the proposed merger scheme will be Octanex Shares which have a value of not less than the Issue Price for every Peak share. The actual consideration will depend, in part, on the outcome of negotiations with Cadco and other parties in relation to SC 6 Cadlao and results and consequences thereof for Peak's direct interests in SC 6 Cadlao.

In making your investment decision you should note that, in the opinion of each of Messrs' Steketee and Durrant, the directors on the Board not associated with Octanex or Mr Albers, the proposed merger between Octanex and Peak provides all Members taking up their entitlements with the assurance that, on the proposed Merger being implemented, they will receive consideration which should have a value at least equivalent to the Issue Price.

The primary caveats on this statement are;

- first, the terms of the Scheme must be agreed between Peak and Octanex, then approved by the Peak members and, finally, approved by the Court.
- secondly, the scheme consideration under the share scheme will comprise shares in Octanex and the ongoing value of those Octanex shares will depend on a wide range of factors beyond the present knowledge of either Octanex or Peak or their respective directors.

A factor which is relevant for your consideration in regard to the proposed Merger, and the prospect of it being approved or rejected by Peak's members, is that none of Mr Albers, his Associates or Octanex or its Associates holding shares in Peak will be entitled to vote on the proposal to approve the Merger. This means that approval or otherwise of the Merger will be determined solely by those Peak members who are independent of all of those parties.

You should also note the scheme process will be subject to overview by both ASIC and the Supreme Court and that the scheme booklet will contain an independent expert's report advising you whether the proposed Merger is, or is not, fair and reasonable and whether it is, or is not, in the best interests of those Peak members who are independent of each of Mr Albers and his Associates and Octanex and its Associates. That report will be commissioned for Peak by the two executive directors of Peak, namely Messrs Steketee and Durrant.

PAYMENT FOR SHARES

The Application Moneys for the Shares, the subject of the Rights Issue, are payable in full on application.

The Entitlement and Acceptance Form allows you to pay for your Shares by BPAY or by cheque, bank draft or money order. There are notes on the reverse of that form to assist you with each method of payment. See the "How to apply for Shares" section of the form.

If you wish to subscribe for some or all of your Rights and you are paying for your Shares by cheque, bank draft or money order, you will need to complete the personalised Entitlement and Acceptance Form that accompanies this Rights Issue document in accordance with the instructions set out on that form and return the form with the appropriate Application Money, to the Company's share registry before 5:00pm AWST on or before the Closing Date of day, 24 January 2014 or such later date as the Directors may, in their absolute discretion, determine.

If you are paying by cheque, bank draft or money order, these must all be in Australian currency, payable to **"Peak Oil & Gas Limited Share Subscription Account"** and be crossed **"Not Negotiable"**.

If you wish to subscribe for some or all of your Rights and you are paying for your Shares by BPAY, you do not have to return the Entitlement and Acceptance Form but, in paying by BPAY, it is a term of this offer that you will be deemed to have given the representations warranties and authorities set out on the Entitlement and Acceptance Form. By applying for Shares all Applicants shall be deemed to have agreed to be bound by the Company's Constitution in all respects

If you choose to take no action with respect to your Rights, you will continue to hold the same number of Shares you held on the Record Date. However, your interest in the Company will be diluted.

ENTITLEMENT AND ACCEPTANCE FORMS

Accompanying this Rights Issue document is a personalised Entitlement and Acceptance Form that sets out your Rights entitlement. The Entitlement and Acceptance Form has provision for you to apply for Shortfall Shares on the bases set out above.

There is no minimum subscription and you may take up your Rights in whole or in part. You may also apply for Shortfall Shares (See above.)

OPENING AND CLOSING OF THE OFFER

Offers under the Rights Issue will open at 9:00am (AWST) on 10 January 2014 (“**Opening Date**”) and, will close at 5:00pm (AWST) on 24 January 2014 (“**Closing Date**”). Subject to the requirements of the Act, the Directors reserve the right to extend the Closing Date without prior warning.

ACCEPTANCE OF APPLICATIONS FOR SHARES

If your Entitlement and Acceptance Form is not completed properly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The decision of the Directors as to whether to treat any application for Shares as valid and how to construe, amend or complete it will be final. The Directors may complete any blanks or spaces left in any Entitlement and Acceptance Form and you, by lodging that form, appoint the Directors, and each of them, as your joint and several attorneys for such purpose and authorise all such amendments, insertions and alterations.

Notwithstanding the above, you will not be treated as having applied for more Shares than can be subscribed for by the amount of the Application Moneys paid.

A completed and lodged Entitlement and Acceptance Form, together with a cheque, bank draft or money order for the Application Money, or the payment of your Application Moneys by BPAY, constitutes a binding and irrevocable Application for the number of Shares specified in the Entitlement and Acceptance Form or which could be subscribed for by the Application Moneys paid by you.

SPECULATIVE NATURE OF OFFER AND PROJECTS AND RELEVANT RISK FACTORS

You should:

- have regard to the speculative nature of the Company’s projects and exploration activities and to the risks discussed in Section 5.
- understand that exploration for oil and gas is both speculative and subject to a high level of risk and that adverse exploration results could result in diminution of the value of your investment.
- read this Rights Issue document carefully and in its entirety, with emphasis on the risk factors detailed in Section 5, before deciding to invest in the Company.

FRACTIONAL ENTITLEMENTS

In determining entitlement to participate under the Rights Issue, fractional entitlements have been rounded up. The Company has lodged an Appendix 3B New Issue Announcement with ASX containing further details of the Rights Issue.

MINIMUM SUBSCRIPTION

The Rights Issue is fully underwritten and the minimum subscription is the Underwritten Amount.

OVERSEAS MEMBERS

This Rights Issue document does not constitute an offer in any jurisdiction outside of Australia and New Zealand or to any person to whom it would not be lawful to issue this Rights Issue document

The Company is of the view that it is unreasonable to make an offer under this Rights Issue to Members outside of Australia and New Zealand having regard to:

- (a) the number of Members outside of Australia and New Zealand as a proportion of total Members in the Company;
- (b) the number and value of the securities to be offered to Members outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make offers under this Rights Issue to Members outside of Australia and New Zealand. In accordance with Listing Rule 7.7.1(b) the Company will send each holder to whom it will not offer the Shares, details of the Rights Issue and an advice that the Company will not offer Shares to those holders.

ALLOTMENT

The Directors will proceed to allotment of the Shares which are the subject of this Rights Issue document as soon as possible after the Closing Date.

All Application Money shall, pending allotment and issue of Shares, be held by the Company in trust in a bank account established solely for the purpose of depositing Application Money received. Any interest earned on those moneys shall be to the account of the Company.

It is the responsibility of Applicants to determine their allocation of Shares prior to dealing in those securities. Any Applicants who sell or otherwise deal in any Shares before they receive their Transaction Confirmation Statements will do so at their own risk.

The Entitlement and Acceptance Form which accompanies this Rights Issue document contains a warranty that the Applicant has personally received the complete and unaltered Rights Issue document prior to completing the Entitlement and Acceptance Form, or where the Applicant pays the Application Moneys by BPAY, prior to making such payment.

The Company reserves the right to not accept an application from a person if it has reason to believe that, when that person was given access to the Entitlement and Acceptance Form, they were not provided with the Rights Issue document or any relevant supplementary Rights Issue document or any of these documents were incomplete or altered. In any such case, the Application Money received will be dealt with in the manner provided for in section 722 of the Corporations Act.

UNDERWRITING AND COMMISSION

The Rights Issue is fully underwritten by Octanex for an Underwriting Fee of 5.0% of the total amount of the Rights Issue. In addition Peak and Octanex have held negotiations relating to the proposed Merger of Octanex and Peak as announced at the time that preliminary notice was given of this Rights Issue.

In addition to the above fees, the Underwriter will receive reimbursement of its out-of-pocket expenses directly related to the transaction. Further details of the Underwriting Agreement, including the conditions on which the Underwriting Agreement has been entered into and the circumstances in which the Underwriter may avoid its underwriting obligation are set out in Section 6 below.

FACTORS RELEVANT TO UNDERWRITING DECISION

Prior placements to Mr Albers and Associates

Peak last raised funds by placements to Mr Albers and his Associates as follows:

- (a) 76,226,298 shares were placed to Mr Albers and his Associates at \$0.015 (1.5 cents) to raise \$1,143,394. This was a placement made by the Board without shareholder approval and formed part of a two tranche proposal to raise funds.
- (b) a further 92,830,277 shares were placed to Mr Albers and his Associates at \$0.02 (2 cents) to raise \$1,856,606. This placement was made by Peak following approval by shareholders in general meeting convened in accordance with ASX Listing Rules and held in a manner compliant with the requirements of Chapter 2E of the Act and the requirements of the takeover provisions in the Act in accordance with exception 7 in the table in section 611 of the Act dealing with acquisitions approved by shareholders as

an exception to the general prohibition on acquisition of control of a company contained in section 606 of the Act.

The decision to engage with Mr Albers and place shares in Peak to Mr Albers and his Associates was made after consideration of other alternatives for raising capital and in the context that Peak then needed funds urgently, that the then Board had formed the view that a rights issue was unlikely to raise the necessary funding required, that a rights issue would not attract significant shareholder support and that, for sufficient funds to be raised through a rights issue, it would be required to be fully underwritten and that it would be unattractive to any underwriter unless it was at a steep discount to the then existing market price. Further, the enquiries made by the then Board made it apparent that any rights issue would be unlikely to attract any professional underwriter or stockbroking firm to act as underwriter to such an issue.

The general meeting which approved the placement of the 92,830,277 shares to Mr Albers and his Associates passed the resolution approving the placement by a majority of 68,253,503 shares in favour with 4,958,080 shares against and ratified the placement of the 76,226,298 shares by a majority of 72,817,138 shares in favour with 394,445 shares against

Since the placement of shares to Mr Albers and his Associates, the Peak share price has significantly deteriorated. As can be seen from the data in the table below and from the chart showing the declining share price of Peak shares, all accessed from IRESS, total volume of shares traded since 1 April 2013 to 12 December 2013 has been 43,248,124 shares (approximately 8.9% of Peak's total shares on issue) with a price which has steadily declined from a high of 2.6 cents in April 2013 to a low of 0.7 of a cent in December 2013 with a total value of trades of \$483,775.

The Board does not consider that this share trading history reflects the underlying value of the assets of Peak and notes that, based on the audited financial statements of Peak (on a consolidated base) as at 30 June 2013, the net asset backing of each share in Peak is approximately 2.466 cents per Peak share

Total volume and value of trades in Peak shares 1 April 2013 to 12 December 2013

The table and following chart illustrates the decline in Peak's share price since 1 April 2013. The table provides that data on a monthly basis.

Share Trading Details: PKO 1 April 2013 – 12 December 2013								
Date	Open	High	Low	Close	MktVWAP	Volume	Value	Trans
To 12 -Dec-2013	0.9	0.9	0.7	0.8	0.7318	1,633,165	11,952	8
30-Nov-2013	0.7	0.9	0.6	0.8	0.7938	13,221,777	104,956	61
31-Oct-2013	0.7	1	0.7	0.7	0.8056	1,714,725	13,814	21
30-Sep-2013	0.9	1	0.6	0.7	0.7726	3,002,346	23,197	20
31-Aug-2013	1	1.1	0.8	0.9	0.9906	7,029,033	69,632	37
31-Jul-2013	1	1.3	0.8	1.1	1.1281	5,525,652	62,335	35
30-Jun-2013	1.5	1.6	0.9	0.9	1.1912	2,775,317	33,060	25
31-May-2013	1.7	2	1.1	1.5	1.511	3,138,932	47,428	38
30-Apr-2013	2.6	2.6	1.7	1.7	2.2546	5,207,177	117,401	68
						43,248,124	483,775	313



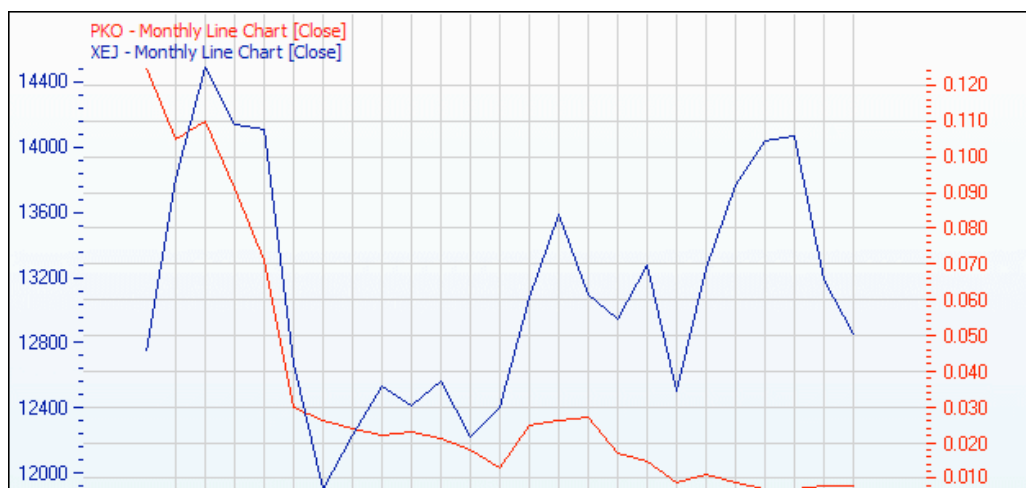
LONG TERM SHARE PRICE MOVEMENT OF PEAK SHARES

While most small oil & gas exploration companies and other resource companies have volatile share prices, Peak's share price has been in decline for some period, potentially reflecting the ongoing difficulties Peak has had with its involvement in the Cadlao Project.

When Peak's share price over the last two years is compared to a variety of indices including the *S&P/ASX Small Ordinaries* or *ASX Energy* indices (as set out in the Chart below), it is apparent that PKO share price has not reflected either of those indices but has significantly underperformed each of them, as an apparent result of lack of shareholder and market interest. This decline reflects a long term trend, rather than short term volatility and is unlikely to be reversed until, or unless, the difficulties with the Cadlao Project are resolved, whether in Peak's favour or otherwise.

It is hoped that a resolution of the dispute with Cadco over the Cadlao Farmin Agreement will be achieved prior to the Closing Date and that the Peak share price will respond to a resolution of that matter and increase so as to stimulate increased acceptance levels from Members thus reducing the potential effect on control of Peak which may result from the Underwriting.

However, the Board of Peak acknowledges that this may not be achieved, either before or after the Closing Date, in which case completion of the Underwriting becomes critically important for Peak in order to fund its SBA commitments.



CONSIDERATIONS TAKEN INTO ACCOUNT BY BOARD IN DETERMINING TO ENTER INTO UNDERWRITING AGREEMENT

The Board resolved to enter into the underwriting with Octanex NL after consideration of a number of factors.

Immediate need for funds

The most important of these included Peak's immediate need for funds, exacerbated by the facts that:

- (a) the proposed settlement of the dispute with Cadco, discussed at length below, has taken considerably longer to negotiate than previously considered probable and that, although it is anticipated that agreement will be reached to resolve the dispute, that cannot be guaranteed. When any settlement agreement is signed, Peak will inform the market with full details thereof.
- (b) the seismic program for South Block A has been commenced and, without that being funded, Peak's investment in REE and its indirect interest of 38.25% in South Block A, which has significant value to Peak and its Members, may be prejudiced or lost.

In this context, Peak's need for funds is acute and an underwritten rights issue is seen by the Board as the most certain way of raising funds to meet Peak's immediate needs, through to mid to end April 2014, at which time it is anticipated that a resolution of the dispute with Cadco will have been achieved. Unless settlement funds have been received by that date, Peak will be required to raise further funds or merge with Octanex or another entity.

Importantly, the size of the Rights Issue has been structured to meet Peak's minimum immediate need for funds. The Board has been concerned to limit the size of the issue and not raise unnecessary funds so as to avoid increasing the Rights Issue beyond that immediately needed so as, among other things, to limit the size of the Shortfall being underwritten to minimise any resultant increase in control by Mr Albers and his Associates.

Consequences of not raising funds

Unless Peak raises the full amount of the Rights Issue or Peak achieves a resolution of the dispute with Blade and Cadco and receives significant settlement funds before the Closing Date, Peak will have insufficient funds to enable it to meet its short term commitments under the SBA Shareholders Agreement by funding the existing seismic program which has commenced. If this occurs and there was an event of default by REE under the SBA JVOA (because of the failure by Peak to provide funds to REE under the SBA Shareholders Agreement to enable REE to fund its proportion of the cost of the current seismic program) that could have the effect of causing REE to lose its interest in the SBA Joint Venture and the Contract. The result would be that Peak would lose its indirect interest in SBA and could become liable to an action for damages for losses sustained by REE and its other shareholders. The quantum of damages would, presumably, be the value of their lost interests in SBA.

The importance of retention of Peak's South Block A interest is emphasised by an independent third party valuation of the 35% interest in SBA owned by KRX Energy (SBA) Pte Ltd ("**KRX**") released by Peak to the market on 6 December 2013 with the approval of the valuer. The valuation was included in a report prepared by ResourceInvest for Lion Energy Limited ("**Lion**") (ASX Code: LIO) dated 18 October 2013 and was included in Lion's amended Notice of Meeting lodged with ASX by Lion on 6th November 2013. The ResourceInvest valuation attributes a value of \$8.98 million to KRX's 35% interest in SBA on a "*most likely*" basis (refer page 8 of ResourceInvest report). All other things being equal, application of this methodology to Peak's indirect 38.25% interest in SBA would attribute a value of \$9.8 million to that 38.25% interest in SBA.

Peak has not carried out any review of the methodologies employed by ResourceInvest in arriving at its valuation of KRX's 35% Interest in SBA and has not reviewed the underlying assumptions used by ResourceInvest for that purpose: nor does it intend to.

However, the valuation is an independent assessment of value which, extrapolated to Peak's interest, is more than Peak's present market capitalisation.

Non-viability of sale of assets and other alternative funding mechanisms

In considering how to raise funds, the Board considered the prospect of sale of assets, but the only assets available for sale are:

- (a) its direct or indirect interests in the Cadlao Project which are of uncertain value and regarded by the Board as unsaleable until or unless the present dispute with Cadco under the Cadlao Farmin Agreement is settled and the Cadlao Project has been funded. While agreement in principle has been

reached as to settlement of the dispute, there is no certainty that a concluded agreement will be executed and completed with Peak receiving any payment thereunder.

- (b) its 38.25% indirect interest in South Block A, through REE, where it has funding obligations in excess of US\$3.6 million (of which approximately \$2 million has already been spent), which require the funds from the Rights Issue to satisfy in part, and, without which, such interest could be forfeited.
- (c) its interests in its Australian uranium interests at Sunday Creek which, even if sold, would likely realise minimal value.

In this context, the Board considers that any asset sale would likely be seen by potential purchasers as a stressed sale and take a considerable period to implement, if achievable, and the Board has discounted this as a fund raising mechanism capable of resolving its present financial needs.

Other ways of raising funds such as project financing and debt finance are not readily available, as Peak has no capacity to service any such financing and no certainty that any such borrowing could be repaid.

Present market conditions

In considering the structure of the Rights Issue, the Board has considered the present market conditions generally, including the falling Peak share price and low turnover reflecting lack of market interest in Peak shares.

Dispute with Cadco

Resolution of the present dispute with Cadco must be achieved and the Cadlao Project funded before any definitive value associated with the Cadlao Project can be realised by Peak. If this is achieved before the Closing Date it may impact on the Peak share price and may result in that share price exceeding the Issue Price. This is because Peak might receive funds from the settlement and, more importantly, the fact that the funding of the Cadlao Project would then substantially be in place. This would mean that the present inherent uncertainties surrounding the Cadlao Project would substantially reduce and Peak's prospect of realising its value from the project would become more likely.

Both these matters could have a positive effect on the Peak share price. This would likely increase the acceptance rate for the Rights Issue and minimise the likelihood of Octanex as underwriter significantly increasing its percentage shareholding and voting power.

Dilution of Economic Interests of Members

The Board is concerned that to price a rights issue at a level which might attract shareholder support and a professional underwriter, the rights issue would have to be at a significant discount to the Volume Weighted Average Price of Peak shares over the last three months, which is less than \$0.008 (0.8 of a cent). An Issue price of, say, 0.005 (a half a cent) would require the issue to be on a much more dilutive basis for Members not taking up the issue and would require the placement of twice the number of new Shares to raise the same amount of funds as are sought to be raised by the present Rights Issue.

The Board considers that to make the Issue Price significantly lower than it is, which is a fraction of the underlying asset backing per share, based on the current year's audited accounts, will be significantly to the detriment of shareholders.

While a low issue price might achieve a higher subscription rate than the current Issue Price, it is considered likely to have two direct effects.

- (a) First, it would tend to lock in and institutionalise a lower share price going forward and, effectively, thereby destroy shareholder value. Given the continued decline over recent months in Peak's share price, there is no certainty that a lower Issue Price at a discount to market would induce Members to take up their Rights, particularly if the Peak share price continues to decline.
- (b) Secondly, a level of deep discount from that \$0.008 VWAP would be necessary to obtain an independent professional underwriter for the Issue and would likely have an adverse effect on shareholders who elect not to participate by transferring the inherent value in Peak to the holders of the new Shares taken up by any such underwriter. This would reduce the underlying economic interests of the existing shareholders more than would be the case where there is less dilution with a higher priced issue. This is particularly the case where, as with Peak, both its primary assets (South Block A and its interests in

the Cadlao Project, and particularly its indirect 16.25% interest in Cadlao through its shareholdings in VenturOil) have greater potential value, as set out herein.

In this context, the effect of the Underwriting and the subscription by Octanex for the Shortfall (subject to prior rights of Members to apply for Shortfall Shares) will increase the underlying asset backing of each Share and this will be to the benefit of all Members, whether or not they take up their Entitlements.

Further, the funds raised by the Underwriting will be used to avoid, insofar as possible, the prospect of default in relation to South Block A and the prospect of loss of that interest, which has considerable value.

Minimal prospect of Rights trading if Rights Issue was renounceable

The Board also considers that, given the amount to be raised, and given that in excess of 66% of the capital of Peak is held by the top 20 shareholders, there is little point in making the issue renounceable.

There are two reasons for this.

- (a) First, there is comparatively little trading in Peak shares and this does not provide any positive indications for Rights trading.
- (b) Secondly, even if the Rights Issue was at a significant discount to the current market price of Peak shares, the Board considers that there would be minimal prospect of Rights trading because, for all but a minority of Members, the cost of selling rights would be close to or exceed the probable value of the Rights being traded, or sought to be traded. For example, under the Rights Issue, a Member with 100,000 shares would have an entitlement to 40,000 Shares. Assuming an issue price of \$0.005, a "Right" would have a maximum value of \$0.003 (based on a market price equal to the last three months VWAP of approximately \$0.008). This would give a value of \$120.00 to the 40,000 Rights. A buyer with 50,000 shares would, on the same basis, have a maximum value of \$60.00 in his or her 20,000 Rights. The Board does not consider that any significant market would develop for Rights, even with an issue price at a deep discount to market, because of such factors.

The Board accepts that, in different circumstances, a renounceable rights issue might be more attractive to Members who do not intend to take up their Entitlements as they might be able to sell them and receive value for them. This is normally the situation where an issue is at a discount to market price and, all other things being equal the deeper the discount, the more likely members are to take up their Entitlements or otherwise trade them to realise any inherent value therein. For the reasons set out above the Board does not consider that either of these situations apply in the present case. In particular, apart from comparative cost of sale compared with the likely proceeds of sale, the underlying principle to an issue being made renounceable is that there must be a reasonable market for the rights being traded, which will only exist if there is reasonable demand for the underlying securities. In the present case there is no such market and no expectation of such.

Prior attitude of Shareholders to the Control of Peak

At the General Meeting of Peak's members held on 12 April 2013 to approve the placement of shares to Mr Albers and his Associates which resulted in Mr Albers having effective control of Peak, the then members voted overwhelmingly in favour of the placements then being made to Mr Albers and Associates.

It was clear from the documentation sent to Peak's members at the time that control of Peak would effectively pass to Mr Albers at that time as the direct results of the resolutions passed at the meeting were that Mr Albers and his Associates became, by far, the largest shareholder in Peak and Mr Albers and Mr Jacobs were appointed to the Board of Peak with the effect that fifty percent of the Board comprised Mr Albers and his nominee, Mr Jacobs.

The present underwriting may increase that level of control. The likely result of the Rights Issue is that Mr Albers control of Peak will increase by somewhere between 8.8% and 3.17% beyond what it would increase to if the Rights Issue was not underwritten. See the analysis below. However, it should be recognised that the Peak members were aware, or should have been aware, when the documents for the 12 April 2013 meeting were despatched on 7 March 2013, that effective control of Peak would pass in the "*control transactions*" which they approved at that meeting on 12 April 2013. However, having regard to the following matters, it is clear that Mr Albers and his Associates have not exercised any control they may have to cause Peak's activities to be changed in any significant manner and that neither Mr Albers nor Octanex (as the Underwriter) propose any such changes going forward.

Intentions of Directors

Messrs Steketee and Durrant, being executive directors of the Company, and their Associates, intend to take up their respective Entitlements under the Rights Issue to an aggregate value of \$225,350.

Proposed Merger with Octanex

Members might reasonably conclude that the proposed Merger provides them with an exit mechanism not only for any Shares taken up in this Rights Issue but in respect of their existing shares.

By illustration, assume that the Peak share price does not improve and remains at \$0.008 during and after the Closing Date and up to the date on which the proposed Merger is voted upon, a Member holding 200,000 shares who subscribed \$800.00 to take up his or her Entitlement would hold 280,000 shares in Peak post the Closing Date and those shares would be worth \$2,240. However, under the Merger proposal that Member would receive new Octanex shares with a value of \$2,800, substantially protecting him from the consequence of any continuing low price of Peak shares or any further drop in the Peak share price.

Conversely, assuming the same Member took up his or her Entitlement and held the same 280,000 Peak shares, but that the dispute with Cadco was resolved and, say, the Peak share price increased to say \$0.02 (2 cents) (being the same price as Mr Albers subscribed for Peak shares as authorised by the resolutions passed at the general meeting on 12 April 2013), that shareholding in Peak would have a market value of \$5,600. In these circumstances the proposed Merger would not likely be approved by the then Peak members unless Octanex increased the proposed Scheme Consideration considerably.

Essentially, Members might reasonably conclude that they should take their Entitlements because they are reasonably protected from downside in value by the terms of the proposed Merger, subject to the caveats that the consideration they will receive under the proposed Merger will be Octanex shares which themselves are subject to market forces, including fluctuation in value on market and limited liquidity, which may affect Members' ability to sell those Octanex shares and therefore realise value on sale.

Attitude of Underwriter to Peak's continuing operations and other matters

Based on Octanex's understanding of Peak's operations, through its own investigations and due diligence and through Mr Albers, Octanex's intentions concerning the continuation of Peak's business operations, its continued ownership of its assets and the continued employment of its existing employees and staff, as advised to Peak by Octanex, is that, subject only to the matters set out below, it is Octanex's intention that Peak should;

- (a) continue to carry on its business as an oil and gas company in the same manner as that business is presently carried on and in particular that Peak continue with its involvement in both South Block A and the Cadlao Project in the same manner as presently intended and as set out herein;
- (b) that, save as may be necessary under any resolution of the dispute with Cadco under the Cadlao Farmin Agreement, and save as may be determined by the Board in relation to its Uranium assets within Australia, to not dispose of any of Peak's assets or transfer any of Octanex's assets to Peak. The only qualification to the above is that, to fund Peak's present and proposed interests in SBA and in the Cadlao Project, it may be necessary to raise funds to meet obligations relating thereto and that may require partial farmout or sale to parties unrelated to any of Mr Albers or Octanex or any of their respective Associates. Any such sales or farmout would be negotiated on an arm's length basis.
- (c) to maintain the current employment of all of Peak's present employees and consultants. To the extent that there is any commonality of interest between Octanex and Peak, and to the extent to which those employees and consultants may be able to provide services to Octanex, they will be so engaged where applicable and appropriate. Likewise, where Octanex's employees and consultants may be able to provide services to Peak, they will be so engaged where applicable and appropriate. There is no present intention to adversely change the terms on which any of those persons presently provide services to Peak.

The above reflects Octanex's attitude to these matters, including its general attitude thereto in the event that the proposed Merger was to be approved by the members of Peak in due course. In that circumstance, a more detailed assessment of the above matters would be set out in the Explanatory Statement despatched to the then members and optionholders of Peak to enable them to consider and if thought fit, approve or reject the proposed Merger. Any such statement of intention would be updated to reflect any changes which might have occurred in relation to Peak's business operations by that time.

Dispersion Policy and alternatives thereto

As Members will see from the terms of the offer in Section 1, Members are encouraged to apply for additional Shares out of any Shortfall which may arise from all Members not taking up their Entitlements in full. This mechanism has been proposed, notwithstanding that the Rights Issue is non-renounceable, because it enables those Members who wish to acquire additional Shares that capacity without the extra cost and inconvenience of purchasing "Rights" on market.

Save for the above, which might limit the amount of the net Shortfall which the Underwriter may be compellable to acquire under the Underwriting, the Underwriter does not have a dispersion policy for any Shares it might acquire under the Underwriting.

There is little indication, from the recent trading pattern for Peak Shares, with only approximately 43,000,000 having traded in the last 9 months, that any such dispersion policy would succeed unless it required the Underwriter to sacrifice its own economic interests by being prepared to sell Shares at a loss, solely to achieve divestment of excess Shares. Subsequent to the Close of the Issue, any such sale of Shares by the Underwriter might depress the market for Peak shares. This is particularly significant given that Peak will need to raise additional funds before mid-April 2014 unless the proposed Merger with Octanex is approved by Peak members and implemented by then so that Octanex effectively takes over the funding requirements for Peak.

If the proposed Merger is rejected and Peak needs to raise further funds, the most likely method by which those funds will be raised is by further placement or rights issue. In that circumstance the divestment by Octanex of shares in Peak before and during that period would likely prejudice any such future fund raising attempts by Peak. This is not considered by the Peak Board to be in Peak's interest or in the interest of its Members.

If the proposed Merger is rejected by the Peak members eligible to vote at the Share Scheme meeting, then, if Peak seeks to raise further capital by way of additional placements, it will likely do that by a further Rights Issue which, depending on circumstances at the time might, or might not, be underwritten.

Given Peak's continuing need for funds and that the current Rights Issue will only raise sufficient funds to last until mid-April 2014, before Peak will need to raise further funds, and given the uncertainty over the value of the Cadlao interests, Peak directors have reached a preliminary agreement, as announced by both Octanex and Peak, that Peak will formulate schemes of arrangement between itself and its members to consider and if thought fit agree to the Merger as described in Section 4.

This proposed Merger seeks to underpin the value of the Shares at the Issue Price and, hopefully ensure a significantly increased subscription level, by providing Peak Members taking up their Entitlements under the Rights Issue with the certainty of an exit mechanism if the price of Peak shares remains stagnant and Peak's Board is unable to develop and implement any other alternatives or outcomes more acceptable to the Peak members at, or by, the time that the proposed Merger is to be considered: subject always to the then members of Peak other than Octanex or Mr Albers and any of their respective Associates ("**Non-Associated Peak Shareholders**") approving the Scheme and the Scheme coming into effect in accordance with the Act.

Further, the terms of the proposed Merger enable all Members of Peak to benefit from the opportunity to dispose of their existing shares in Peak at the Issue Price, albeit for Octanex Shares, if the Non-Associated Peak Shareholders voting on the terms of the proposed consider that the proposed Merger is in their interests. Logically, the Non-Associated Peak Shareholders will vote in favour of the proposed Merger if the Peak share price continues to decline and if Peak cannot achieve funding for its ongoing operations from any source other than Octanex. Likewise if, by utilisation of the proceeds of the Rights Issue and, potentially, the proceeds from any future resolution of the dispute with Cadco relating to the Cadlao Farmin Agreement, Peak can continue to fund its operations and the Peak share price improves to more than the Issue Price, then it would be expected that the Non-Associated Shareholders would reject the proposed Merger, unless the terms finally offered were considered sufficiently attractive to provide a more attractive investment opportunity to them than retention of their Peak shares.

To this extent the Board has ensured that, while the existing Peak share price is less than the Issue Price, those Peak Members who do not take up their Entitlements have an assured minimum price they can expect to receive for their Peak Shares, subject to the Non-Associated Peak Shareholders approving the proposed Merger.

Clearly, if Peak's prospects improve such that the minimum terms offered by Octanex are unacceptable to the then Peak members, they can reject the Merger proposal unless Octanex offers terms and conditions which impel them to accept a varied Merger proposal.

Terms of the Underwriting Agreement

The terms of the Underwriting Agreement are much more in Peak's favour than the terms which might be obtained from a professional underwriter or stockbroking firm or any other party on an arm's length basis. In particular, most of the exclusions under which an underwriter has a right to avoid the underwriting commitment contained in an underwriting agreement are omitted from the Underwriting Agreement. The effect of this is that the probability that the Underwriter will be compellable to provide the requisite funding needed by Peak is accordingly much higher than in a conventional underwriting.

Possible Underwriters

Most rights issues by small undercapitalised exploration companies are not underwritten. At best, in most cases, a broker to the issue will agree to use reasonable endeavours to place any shares not taken up by members with its clients who are excluded offerees. That process may or may not be successful but, importantly, funding by placement of the shortfall is not guaranteed. This may, or may not, have serious consequences in most rights issues, depending on the urgency of the need for funds and the amount needed.

The Board does not consider such an approach is, in Peak's case, appropriate or in the Members best interests.

Against this background, and after considering all of the above factors, and given that Mr Albers is the major shareholder in Peak and, effectively, controls Peak through his present shareholdings, the Board considers that:

- (a) first, Mr Albers or his Associates are the only realistic source of underwriting;
- (b) secondly, any increase in Mr Albers level of control, which may result from Octanex underwriting the Rights Issue on its present terms is of less significance and prospective damage to the economic interests of Peak and its Members than would result from an inability to fund Peak's ongoing operations, including most importantly, its obligations in relation to South Block A.

In the context of (b), the Board considers that it is important for Members to understand that Mr Albers already has effective control of Peak through his existing shareholdings and that, unless an alternative underwriter was found for the Rights Issue, the take up by his interests of their respective Rights could increase that level of control to up to 42.76%. In Case C discussed below, and illustrated in the table below, where there is a moderate take up of Entitlements, the increase in Mr Albers level of control with the Rights Issue being underwritten is an increase of approximately 4.01%* above the level to which it could subsequently increase under exception 9 in the table in section 611 of the Act ("the 3% creep rule"). *(the 7.01% highlighted in bold in Case C less subsequent 3% creep over following 6 months).

The Board does not consider the Rights Issue or its underwriting to be unacceptable conduct and believe that the proposals, supported by the proposed Merger, which Peak members can approve or reject at their absolute discretion, provides a realistic balance between preserving Peak and enabling it to continue operations and protection of Members rights generally.

POSSIBLE EFFECT OF UNDERWRITING ON CONTROL OF PEAK

As noted above Mr Albers and his Associates hold 169,056,575 shares in Peak (representing approximately 34.79% of the issued capital of Peak). As Mr Albers is the Chairman of Octanex, as well as being its controlling shareholder, Octanex is deemed to have the same relevant interest in Peak shares that Mr Albers and his Associates have. Consequently Octanex is deemed to have a relevant interest in those 169,056,575 shares in Peak representing approximately 34.79% of the issued capital of Peak.

If the Underwriting is completed, and Octanex acquires Peak shares by subscribing for part or all of the Shortfall (being those new Peak Shares offered for subscription to Peak members but not subscribed for by them, then both Octanex's and Mr Albers shareholdings (actual and deemed) in Peak will increase.

Mr Albers and Octanex each have a deemed relevant interest in 169,056,575 shares in Peak (approximately 34.79% of the issued capital of Peak). It is relevant to Members to know what effect, if any the underwriting by Octanex of the Rights Issue will, or might, have on control of Peak.

In considering this matter, the fact that Mr Albers and his Associates propose to take up all of their respective entitlements must be taken into consideration. Therefore the relevant comparison is not Mr Albers current relevant interest and voting power (expressed as a percentage of Peak's present issued capital) contrasted with Mr Albers relevant interest and voting power subsequent to the underwriting being completed but between what Mr Albers relevant interest and voting power might be:

- (a) if Mr Albers interests take up their full entitlements with differing subscription rates by all other Members (Cases A, B, C, D and E below) and the Rights Issue is not underwritten; and,
- (b) if Mr Albers interests take up their full entitlements with differing subscription rates by all other Members (Cases A, B, C, D and E below) and the Rights Issue is fully underwritten.

This is analysed in five cases.

- (a) CASE A: Assumes that Mr Albers and his Associates take up their respective entitlements (67,617,182 shares representing 34.79% of the Rights Issue) and assumes that no other Peak member takes up their respective entitlements. This is unlikely as Messrs Steketee and Durrant propose to take up their Rights to a value of \$225,350 (22,535,000 shares).
- (b) CASE B: Assumes Mr Albers and the existing directors (Messrs Steketee and Durrant) take up their respective entitlements to the amount of \$225,350 (22,535,000 shares, being an additional aggregate 11.594% of the Rights Issue), representing a total of 90,152,182 Shares being taken up.
- (c) CASE C: Assumes Mr Albers, the existing directors (Messrs Steketee and Durrant) subscribed for their Entitlements (as described above) and that other Members holding 25% of the remaining Shares in Peak subscribed for their Entitlements of 25,567,684 Shares, representing a total of 115,719,866 Shares only being taken up;
- (d) CASE D: Assumes Mr Albers, the existing directors (Messrs Steketee and Durrant) subscribed for their Entitlements (as described above) and other Members holding 50% of the remaining Shares in Peak subscribed for their Entitlements of 51,135,368 Shares, representing a total of 141,287,550 Shares only being taken up;
- (e) CASE E: Assumes Mr Albers, the existing directors (Messrs Steketee and Durrant) subscribed for their Entitlements (as described above) and all other Members subscribe for their Entitlements in full representing 192,422,918 shares compared to the full amount of the Rights Issue of 194,358,098 Shares only being taken up. This is also not considered a realistic case but is considered as the other extreme to that in Case A.

The existence, or otherwise, of the underwriting impacts on each of the above possible outcomes.

The table below compares the outcomes set out in Cases A to E without any underwriting in place and contrasts those outcomes with the outcome where the same subscription level is achieved but the entire Shortfall is subscribed for by Octanex as underwriter. Any change in the level of control of Peak resulting from the underwriting will therefore be apparent to Members.

The following calculations are based on the present capital of Peak of 485,895,247 shares and on 194,358,098 Shares being offered for subscription under the Rights Issue with the capital of Peak increasing from 485,895,247 shares to 680,253,345 shares if the Rights Issue is fully subscribed, whether by Members taking up their Rights in full or by Octanex subscribing for the Shortfall.

VARIOUS POSSIBLE INCREASE IN CONTROL SCENARIOS RESULTING FROM UNDERWRITING					
	Case A	Case B	Case C	Case D	Case E
Present Issued Capital	485,895,247	485,895,247	485,895,247	485,895,247	485,895,247
Shares Subscribed by all Members	67,617,182	90,152,182	115,719,866	141,287,550	192,422,918
Issued Capital of Peak post Issue without underwriting	553,512,429	576,047,429	601,615,113	627,182,797	678,318,165
Present Albers Shareholding	169,056,575	169,056,575	169,056,575	169,056,575	169,056,575
Albers Entitlement	67,617,182	67,617,182	67,617,182	67,617,182	67,617,182
Post Issue Albers	236,673,757	236,673,757	236,673,757	236,673,757	236,673,757

Shareholding if Issue Not Underwritten					
Current Voting Power	34.79%	34.79%	34.79%	34.79%	34.79%
Voting Power Post Issue with no Underwriting	42.76%	41.86%	39.34%	37.74%	34.89%
Issued Capital of Peak post Issue with Underwriting	680,253,345	680,253,345	680,253,345	680,253,345	680,253,345
Shares subscribed by Octanex if Issue Underwritten	126,740,916	104,205,916	78,638,232	53,070,548	1,935,180
Post Issue Albers/Octanex Shareholding if Issue Underwritten	363,414,673	340,879,673	315,311,989	289,744,305	238,608,937
Voting Power Post Issue With Underwriting: no sub-underwriting	53.42%	50.11%	46.35%	42.59%	35.08%
Increase in Voting Power attributable to Underwriting with no sub-underwriting contrasted with no underwriting of Issue	10.66%	8.25%	7.01%	4.85%	0.29%
Absolute increase in Voting Power attributable to Underwriting with no sub-underwriting contrasted with present Voting Power	18.63%	15.32%	11.56%	7.8%	0.29%

If Peak resolves its dispute with Cadco over Cadlao, and executes a settlement agreement which provides for Peak to receive the proposed settlement moneys approximately \$6.5 - \$7.0 million and the Cadlao Project is financed, the Board would expect that this change in circumstances may increase demand for Peak shares and this may lead to an increase in the price of Peak shares, stimulating a reasonable level of subscription for Shares by Members taking up their respective Entitlements. Conversely, any resolution of the dispute with Cadco may be ignored by the market and not impact on the Peak share price or the level of acceptances under the Rights Issue.

Although the effect of the Underwriting may result in an increase in the level of control exercised by Mr Albers and his Associates and the Underwriter, that increase is unlikely be to a level of absolute control with Messrs Steketee and Durrant taking up substantially all of their respective Entitlements and the reasonable expectation that a presently unknown number of other Members will take up their Entitlements. The effect on control is considered more likely to be somewhere between Cases B and C.

However, if Peak settles the dispute with Cadco and receive funds under that settlement, and if Peak's share price was then to respond to the receipt of those funds, and to the corollary implied from such a resolution, namely that Peak's Cadlao interests therefore had significant value, and if those matters resulted in the Peak share price increasing to more than the Issue Price, the likely increase in Mr Albers level of control resulting from the Rights Issue would likely be significantly less than otherwise and the effect on control could be between cases C and D.

These matters will not be known until after the Closing Date.

IMPORTANT DATES

This Rights Issue is being conducted according to the following indicative timetable:

Event	Date
Notice of Rights Issue to ASX and Lodge Appendix 3B, 708AA Notice and Rights Issue Doc with ASX	Before Commencement of Trading 24 December 2013
Despatch Letter to Members	27 December 2013
Shares are quoted on an "ex" basis	30 December 2013
Rights Issue Record Date	6 January 2014
Despatch Rights Issue document and Entitlement and Acceptance Form: Rights Issue opens	10 January 2014
Acceptances Close ("Closing Date")*	24 January 2014
Deferred settlement trading commences	28 January 2013
Notify ASX of undersubscriptions	30 January 2014
Notify Underwriter of Shortfall	30 January 2014
Allotment of Rights Issue Shares*	31 January 2014
Deferred Delivery Trading ceases	31 January 2014
Despatch of Transaction Confirmation Statements	3 February 2014
Receipt of Applications for Shortfall from Underwriter	13 February 2014

* This Date, and all dates after this date are indicative only. The Company reserves the right to extend the Closing Date, in which case the Allotment Date will change accordingly

SOURCE AND APPLICATION OF FUNDS

The primary use of the funds to be raised is to contribute towards the cost of the Company's work program commitments in SBA, including the advancement of seismic operations currently underway.

The Rights Issue is made in the context that it is intended by Octanex and Peak that Peak will, subsequent to the Closing Date but during the first quarter of 2014, propose to its then members and optionholders that Peak be merged with Octanex by schemes of arrangement ("**Schemes**").

Octanex has undertaken to Peak that the terms offered by Octanex will be that those members of Peak on the Register of Members of Peak at the Record Date to participate in the scheme of arrangement between Peak and its then members ("**Share Scheme**") will be entitled to exchange their Peak shares for Octanex Shares on a basis which values each Peak share at not less than the Issue Price.

If that merger is approved by those Peak members and by the Court and comes into effect under the provisions of the Act and any conditions precedent contained therein are satisfied, so that the Share Scheme is implemented, then Peak will become a wholly owned subsidiary of Octanex and Peak's future funding requirements will be required to be satisfied by Octanex, insofar as it sees fit.

However, if the scheme does not come into effect, Peak will be required to secure additional funding to enable it to meet its funding obligations under the SBA Shareholders Agreement, under the VenturOil Shareholders Agreement and for working capital needs generally. Its funding obligations under each of those agreements are set out in the summaries of each of those agreements under the heading "*General Matters*" in Section 7.

The funds raised by this Rights Issue and Peak's existing funds are expected to provide Peak with sufficient working capital to enable it to meet its expenditure requirements in full until the end of April 2014.

Subsequent to the end of April 2014 funds needed to meet Peak's ongoing obligations and working capital requirements may be obtained from Octanex, if the merger is implemented, or otherwise by one or more of the following, namely, future share issues, sale of assets, farmout, or from receipt of funds from Cadco under any

settlement agreement of the dispute in relation to the Cadlao Farmin Agreement referred to in clause 6 in Section 7, if that agreement has been entered into.

Other than funding the SBA work program commitments, the proceeds from the Rights Issue are planned to be applied to pay the costs of the Issue, including Underwriting Commission, and for general working capital purposes.

The proposed expenditure amounts set out below are estimates only and are based on the best information available to the Company as at the date of this Rights Issue document. Those amounts will vary with changes in the underlying costs of the services involved in carrying out the relevant work programs. The relevant programs and associated costs may also change depending on results obtained in carrying out such programs or because of a wide range of factors beyond the reasonable control of the Company.

Subject to the above qualifications, the proposed application of funds table assumes that no event occurs which would enable Octanex, as the Underwriter, to terminate its obligation to underwrite the Rights Issue in full. The full terms of the Underwriting Agreement are set out in clause 7 in Section 7. The circumstances under which the Underwriter has the right to terminate its obligation to underwrite the Rights Issue are more limited than the provisions in many underwriting agreements. You are recommended to read those provisions carefully to more fully understand the Underwriter's obligations.

Assuming the Rights Issue is fully subscribed, proposed use of funds will be as follows:

APPLICATION AND SOURCE OF FUNDS	
Current Funds Available (10 December 2013)	333,000
Accounts Receivable	170,000
This Capital Raising	1,943,581
Total Funds	2,446,581
<i>Expenditure</i>	
Seismic Acquisition in (SBA)	1,460,000
Seismic Processing & G&G studies (SBA)	45,000
Underwriting Fee	97,179
Payment of accrued creditors ¹	376,594
Other Costs of the Issue (including ASX Listing Fees)	70,000
Additional Working capital	397,808

Note 1.

This amount includes an aggregate amount of \$228,000 owed to Messrs Steketee and Durrant which is portion of the residual amount owed to them following the compromise by each of them of accrued entitlement to remuneration. Those specified amounts will not be paid to Messrs Steketee or Durrant (or their associates) but be applied in satisfaction of the subscription moneys on the shares being taken up by them under their respective entitlements. Such subscription reduces the cash amount raised by the Rights Issue by the amount of those liabilities and the effect is presented above as if the shares subscribed for by them were being subscribed for in cash and they were actually receiving those payments due to them.

Actual use of funds may differ from that shown depending on a variety of factors including exploration outcomes and factors beyond the control or reasonable control of the Company.

APPLICATION FOR QUOTATION OF SECURITIES OFFERED BY THIS RIGHTS ISSUE DOCUMENT

Application will be made for Official Quotation of the Shares offered under this Rights Issue document on ASX. The fact that ASX may list the Shares is not to be taken in any way as an indication of the merits of Peak or the Shares. ASX takes no responsibility for the contents of this Rights Issue document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this Rights Issue document.

CHESS

The Company participates in the Clearing House Electronic Sub-register System ("CHESS"), in accordance with ASX Listing Rules and operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together make up the Company's principal register. Consequently, the Company will not issue certificates to securityholders but they will be provided with a Transaction Confirmation Statement, similar to a holding statement, which will set out the number of Shares allotted to them under this Rights Issue document. At the end of the month of allotment, CHESS (acting on behalf of the Company) will provide securityholders with a holding statement that confirms the number of securities held. A holding statement or

transaction confirmation statement, whether issued by CHESSE or the Company, will also provide details of a securityholder's Holder Identification Number (in the case of a holding on the CHESSE sub-register) or Securityholder Reference Number (in the case of a holding on the issuer-sponsored sub-register). Following distribution of these initial statements to all securityholders, a holding statement will be provided to each securityholder at the end of any subsequent month during which the balance of that securityholder's holding of securities changes.

TAXATION AND STAMP DUTY IMPLICATIONS

Applicants should seek their own independent advice in relation to matters relating to the operation of taxation and stamp duty laws. The Company is unable to give advice on taxation matters generally, as each Applicant's position will relate to their own specific circumstances. Applicants should satisfy themselves of possible taxation consequences of purchases and sales of securities by consulting their own professional tax advisers.

SUITABILITY OF INVESTMENT

Before deciding to invest in the Company, you are strongly recommended to read this Rights Issue document carefully and in its entirety, with particular emphasis on the Company's business and activities described in Section 4 and the risk factors described in Section 5. You should understand that exploration for oil and gas is both speculative, high risk and subject to a wide range of risks.

You should consider the above matters in light of your personal circumstances (including financial and taxation affairs), your own risk profiles and your investment parameters and, as necessary, seek professional advice from your accountant, stockbroker, lawyer, licensed financial adviser or other professional adviser before deciding whether to apply for Shares.

ENQUIRIES GENERALLY

For all enquiries in relation to the Rights Issue and how to take up your Rights or apply for Additional Shares please contact the Share Registry (+ 61 8 9315 2333). You may also contact the Share Registry at the address set out in the corporate directory that can be found on the inside of the front cover of this Rights Issue document.

For all other enquiries please contact the Company's Managing Director, Mr Jeff Steketee, on 08 6143 1800 (from within Australia) and + 61 8 6143 1800 (from outside Australia).

Section 2

CAPITAL STRUCTURE AND FINANCIAL INFORMATION

PRESENT CAPITAL STRUCTURE

The present capital structure of the Company comprises 485,895,247 fully paid ordinary shares and 123,807,569 Options to acquire ordinary shares at differing exercise prices and with differing expiry dates (as set out in the table below).

CAPITAL STRUCTURE ON COMPLETION OF THE ISSUE

On completion of the Issue the capital structure of the Company will be as set out in the table below.

CAPITAL STRUCTURE ON COMPLETION OF THE ISSUE

	Assuming Full subscription
Number of Existing Shares (immediately prior to the allotment of Shares under the Offer)	485,895,247
Number of Shares being offered under this Rights Issue document (subject to rounding of fractional entitlements)	194,358,098
Total number of Shares immediately after allotment of Shares under the offer (assuming full subscription)	680,253,345
Number of Existing Options	
Options exercisable at \$0.35 expiring 31/12/13	16,500,000
Options exercisable at \$0.05 expiring 31/12/14	69,207,569
Options exercisable at \$0.40 expiring 31/12/14	200,000
Options exercisable at \$0.50 expiring 31/12/14	17,800,000
Options exercisable at \$0.05 expiring 1/8/15	100,000
Options exercisable at \$0.28 expiring 25/11/16	20,000,000
Total Number of Options on issue after completion of Rights Issue	123,807,569

RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OPTIONS

The rights and liabilities attaching to the Shares are detailed in Section 6.

The Shares allotted under the Rights Issue will be fully paid ordinary shares which will rank equally with all other shares on issue from the date of their allotment.

FINANCIAL AND OTHER INFORMATION

The Company's 2013 Annual Financial Report was lodged with the ASX on 27 September 2013. Subsequent to that date the Company has made the following ASX Releases which you should also access to ensure that you are fully informed in relation to the Company and its activities.

6/12/13	South Block A - North Sumatra
29/11/13	Results of Meeting
29/11/13	AGM 2013 Presentation
15/11/13	OXX: Proposed Merger with Peak/Underwriting of Rights Issue
15/11/13	Underwritten Rights Issue & Proposed Merger
12/11/13	Response to ASX Appendix 5B Query
31/10/13	Quarterly activity and Appendix 5B cash-flow statement
23/10/13	Notice of Annual General Meeting/Proxy Form
7/10/13	Date of AGM

Each of these reports and releases are available on www.peakoil-gas.com and www.asx.com.au (ASX code: PKO) and contain details of the Company's position, as well as a review of operations. You may also access copies of all of the Company's other ASX Releases at the same websites. You are encouraged to read these documents in full. These documents contain extensive information on the Company and its projects. You

should read these documents in conjunction with this Rights Issue document to more fully inform yourself as to the assets and liabilities, financial position and performance, profits and losses and prospects of the Company.

PROFITABILITY OF PEAK

Peak is an exploration company and is not currently profitable and is not expected to be profitable in the foreseeable future.

The following statements as to Peak's prospects and future activities are made without regard to the consequences of the proposed Merger between Peak and Octanex referred to in Peak's announcement of the Rights Issue on 15 November 2013 and the matters referred to in Section 4 below which outlines, insofar as presently known, the Merger proposals and the ramifications thereof for Peak. Clearly if Peak is merged with Octanex then the impact of any such developments or events will reflect, if at all, in Octanex and its share price and any benefit or detriment flowing from those matters will reflect, if at all in the market price of the shares in Octanex which you receive as scheme consideration on the implementation of the proposed Merger.

Whether Peak will achieve profitability in the short term is likely to be linked to the success, or otherwise, of the redevelopment of the Cadlao oilfield. The timing of that redevelopment is currently reliant on Cadco Development Company Limited (formerly Blade Petroleum Philippines Limited) ("**Cadco**") a wholly owned subsidiary of Blade Petroleum Limited ("**Blade**"), completing financing for the development.

At present no such financing is in place.

Further details relating to the Cadlao oilfield and the Cadlao Joint Venture are set out in Section 3 below, to which you are referred.

If the Cadlao oilfield is able to be successfully redeveloped then, depending on the level of production and capital and operating costs of production, Peak would expect to receive a positive cash flow from production within a comparatively short period following that redevelopment. At this stage there is no certainty as to whether the Cadlao oilfield will be redeveloped, successfully or otherwise, and therefore no certainty of Peak achieving cashflow from that redevelopment.

However, even if a successful redevelopment of the Cadlao oilfield is achieved, this will not necessarily mean that Peak achieves profitability as, in addition to Cadlao, there are other factors across the Company's portfolio which will impact on its profitability.

Whether or not Peak achieves profitability, its strategy will be to apply net cashflow from any successful redevelopment of the Cadlao oilfield in further developing its other assets. Subject to the level of production and resultant cashflow, both of which are unknown, Peak may also invest in new projects with the intent of underpinning continued growth.

Peak's future cashflow and profitability may also be positively impacted by any future discovery in SBA from the exploration well planned for 2014. However, you should note that, even if this well results in a discovery, there can be no certainty that such discovery will be commercial.

A successful redevelopment of the Cadlao oilfield or a successful outcome from the planned 2014 SBA exploration well could reasonably be expected to have an immediate and positive impact on those respective project values, the financial prospects of the Company and on the Peak Share price. Conversely, if the Cadlao oilfield is unable to be successfully developed (including if the Service Contract for Cadlao (SC6Cadlao) was cancelled) or if the planned 2014 SBA exploration well is drilled but is plugged and abandoned then each of these events will impact adversely on the profitability or otherwise of the Company.

While a successful redevelopment of the Cadlao oilfield or drilling success in the proposed 2014 SBA exploration well each have the capacity to impact positively and significantly on Peak's prospects and profitability, neither can be assumed and no forecast or projection can be made as to consequences of either of those matters on Peak's cash flow or profitability.

You are cautioned not to assume that the Cadlao oilfield will be successfully redeveloped or that any discovery will be made in SBA, and, even if made, that either would necessarily have an immediate impact on the profitability of the Company. In particular, you should note that, if the Cadlao redevelopment project does not proceed, or proceeds but is unsuccessful, or if the planned SBA 2014 exploration well is drilled but is plugged and abandoned, Peak will have incurred additional expenditure and will incur losses from the expected resultant asset impairments.

All of the above matters can be expected to impact, positively or negatively, upon the market price of your shares.

DIVIDEND HISTORY

Peak has not paid any dividends and does not expect to pay dividends in the foreseeable future: regardless of the outcome of the Cadlao redevelopment project.

Section 3

CORPORATE VISION, STRATEGY, ACTIVITIES AND OPERATIONS

CORPORATE VISION AND STRATEGY

Peak is an upstream oil and gas company with an attractive combination of near-term production and exploration assets located in the Asia-Pacific region.

Peak's strategy is to develop and build on its current asset portfolio in the Asia-Pacific region, regardless of whether the Merger is or is not implemented. If the Merger is implemented this strategy will take place within the Octanex group of companies, of which Peak will be one.

Peak's strategy is intended to be achieved by re-investing anticipated production cashflows from the Cadlao Redevelopment Project into the Company's portfolio of development and exploration assets as well as acquiring new exploration and development opportunities.

Since the Company's formation, Peak has pursued an upstream oil and gas strategy focussed on the Asia-Pacific region for a number of reasons:

- a) the prolific occurrence of hydrocarbons across the region. Peak is of the view that significant volumes of hydrocarbon reserves exist in smaller, discovered but as yet undeveloped, fields;
- b) the under-explored nature of the region which contains frontier acreage and new exploration concepts;
- c) senior management's extensive experience and technical knowledge as well as long standing networks of contacts and associated deal flow in the region; and
- d) the increasing demand for energy in the region, driven by significant GDP growth in countries such as China, India, Indonesia, Malaysia, Thailand and the Philippines that has significantly outstripped the developed world in recent times.

The core of the Company's value is contained in the potential of its oil & gas interests. An update of our projects and programs is set out below.

ACTIVITIES AND OPERATIONS: PHILIPPINES

SC6 Cadlao - Cadlao Oilfield Re-development Project

Project Status

During the course of the year, the Philippines Department of Energy (“DOE”) formally approved the development plan for the Cadlao Redevelopment Project (**Cadlao Project**) based on a development plan submitted by the Operator, Cadlao Development Company Limited (“**Cadco**”), formerly Blade Philippines Limited.

The development plan is based upon an integrated development solution consisting of a modified jack-up drilling rig to support the wellheads and processing equipment, a CALM buoy export and mooring system and floating storage vessel for storing and offloading the processed crude oil.

In providing its approval, the DOE noted that failure to fulfil the work program obligations attaching to SC6 Cadlao and the integrated development solution may result in a withdrawal of the approval and ultimately the possible cancellation of the service contract. Other commercial terms referenced in the approval, including the rate of the Filipino Participation Incentive Allowance and the existence of concessionaire's royalties, remain the subject of continued discussion and clarification between Cadco and the DOE.

Environmental approval of the development, which had previously suffered bureaucratic delays, has been granted by the Philippines Department of Environment and Natural Resources.

With the requisite development approvals in place, Peak is awaiting confirmation from Cadco that it has completed its project financing arrangements to enable project kick off.

The completion of a project financing arrangement is critical to the operation of the Cadlao Project. A significant risk to Peak achieving value out of either its direct participation in the Cadlao Project or its indirect interest through VenturOil referred to below is that realisation of any such value cannot be derived unless that project

financing is arranged. Without that financing the risk of the DOE cancelling SC6 Cadlao must be considered significant.

Peak and Cadco are in dispute in relation to the present status of Peak's direct interest in SC6 Cadlao as set out below.

Peak – Farmin Agreement: Dispute and Settlement Negotiations

As previously advised to members there is a dispute between the parties to the Cadlao Farmin Agreement. Cadco served notice on Peak seeking to terminate the Cadlao Farmin Agreement on 9 May 2012 for noncompliance by Peak with the funding obligation provisions of that agreement. Also as previously announced, Peak disputed the validity of the purported termination of the agreement and litigation and arbitration proceedings ensued. Also as announced, those proceedings are all in abeyance while endeavours to resolve and compromise those claims proceed.

Peak and Cadco have agreed to suspend their arbitration proceedings and are currently negotiating an settlement of the outstanding dispute.

Cadco is seeking to re-acquire Peak's 25% WI which, under the terms of the Cadlao Farmin Agreement, would result in a cash payment of approximately \$6.5 – 7.0 million to Peak. Any agreement is likely to be subject to a series of milestones and conditions precedent so that the timing of receipt of any funds thereunder will depend on those matters.

In the context of such negotiations, and in an effort to advance the Cadlao Project, Peak has in principle agreed to this outcome subject to Cadco demonstrating it has completed its financing arrangements for the Cadlao Project. Any settlement can, and will, only be able to be entered into when, and if, Blade secures financing for the Cadlao Project. That is a matter which is beyond Peak's control, influence or knowledge.

However, subject to the above, Peak, Blade and Cadco are in the final stages of settlement negotiations relating to the dispute and the parties have agreed to maintain suspension of the arbitration process which was commenced in August 2012 pending any resolution of this issue. Successful settlement would naturally terminate this arbitration.

Clearly, if any settlement agreement is not entered into and completed then the arbitration process referred to above would then proceed with Peak's rights being partially dependent on the outcome of that arbitration.

Following the purported termination by Cadco of the agreement, Cadco entered into arrangements with Viking Energy Philippines Limited ("**Viking**") relating to Viking providing finance for the Cadlao Project but that has not eventuated. Peak is not a party to those discussions.

Cadlao Project Valuation

Under the Cadlao Farmin Agreement, Peak initially assumed the de facto role of SC6 Cadlao Operator and commissioned Gaffney Cline and Associates ("**GCA**") in 2011 to certify the recoverable reserves and estimate the economic value of the Cadlao Project using Peak's planned development solution ("**Peak Report**"). This resulted in a Proved + Probable ("**2P**") reserves estimate of 6.05 mmbbl and project NPV of around US\$136m (each on a 100% basis). Cadco (as current Operator) has selected a different development solution. Further, the passage of time has resulted in cost increases as the markets for certain goods and services in the oil and gas sector continue to tighten. Cadco has advised the SC6 Cadlao JV, of which Peak is a party by virtue of its interest in VenturOil Philippines Inc, of a proposed revised development solution reflecting current industry cost estimates which has reduced project NPV by around 10% and 2P reserves by around 7%. Peak has reviewed the information provided and concurs with Cadco's estimates.

Notwithstanding this information, Peak has concluded that the Cadlao Project remains highly attractive. Based on the Peak Report, as previously released to the market, and as adjusted by Peak to reflect the above matters advised by Cadco, Peak has calculated the following estimates of reserves and reduced Project NPV:

	MMBBL (100%)	MMBBL Peak's effective 16.25% basis	Project NPV (100% basis)	Project NPV (Peak's effective 16.25% basis)
Proved + Probable (2P) Reserves	5.6	0.91	US\$120-125 Million	~US\$20Million

Table 1 Inferred reserves and project NPV based on 2011 GCA Report as adjusted by Peak to reflect increased cost estimates

Information regarding the resource classification system adopted in this document is provided in Section 6.

In considering the above information, you should understand that all resource and reserves estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which are valid when originally calculated may alter significantly when new information, such as increased costs, or techniques become available. In addition, by their very nature, resource and reserves estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

Peak's Project Interest

In addition to the 25% Working Interest ("**WI**") held on trust by Cadco, which has been the subject of litigation, arbitration and now the subject of the settlement negotiations with Cadco, as noted above, Peak also holds a 16.25% indirect WI through its partial ownership of VenturOil Philippines Inc ("**VenturOil**") which Peak acquired from Clove Capital Partners Limited in July 2012. This interest is not in dispute and, as previously advised to the market, has an apparent value of around US\$20m based on the valuation metrics advised by Cadco as noted above.

In accordance with the purchase terms, Peak is obligated to fund VenturOil's full 20% WI in the Cadlao Field which, on current capex estimates, is likely to be US\$9 – 12m including costs accrued to date, plus make payments of US\$1.4m from each of the first two sales cargoes. Each cargo is likely to result in gross revenues to Peak in excess of US\$7m, subject to size and oil price. In accordance with the farm terms agreed between VenturOil and Cadco, VenturOil is not required to contribute to the funding of the Cadlao Project until the first development well is spudded.

On current scheduling, spudding would take place a few months prior to first oil from the Cadlao Project which closely ties project funding with project revenues.

Peak will consider its preferred funding strategy once project kick-off has occurred. Clearly, if the proposed settlement with Cadco completes, those funds when, and if, received, provide a strong base for this funding. Also, though the debt markets are currently tight, the Cadlao Project's bankable reserves should enable Peak to work to achieve a debt financing component to the funding required to meet those obligations.

These are all unknown matters at this stage and it is not possible to comment further thereon. Clearly the funding obligation for VenturOil only exists if the Cadlao Project proceeds with the drilling of a well.



Cadlao Oilfield Redevelopment surrounded by successful field developments

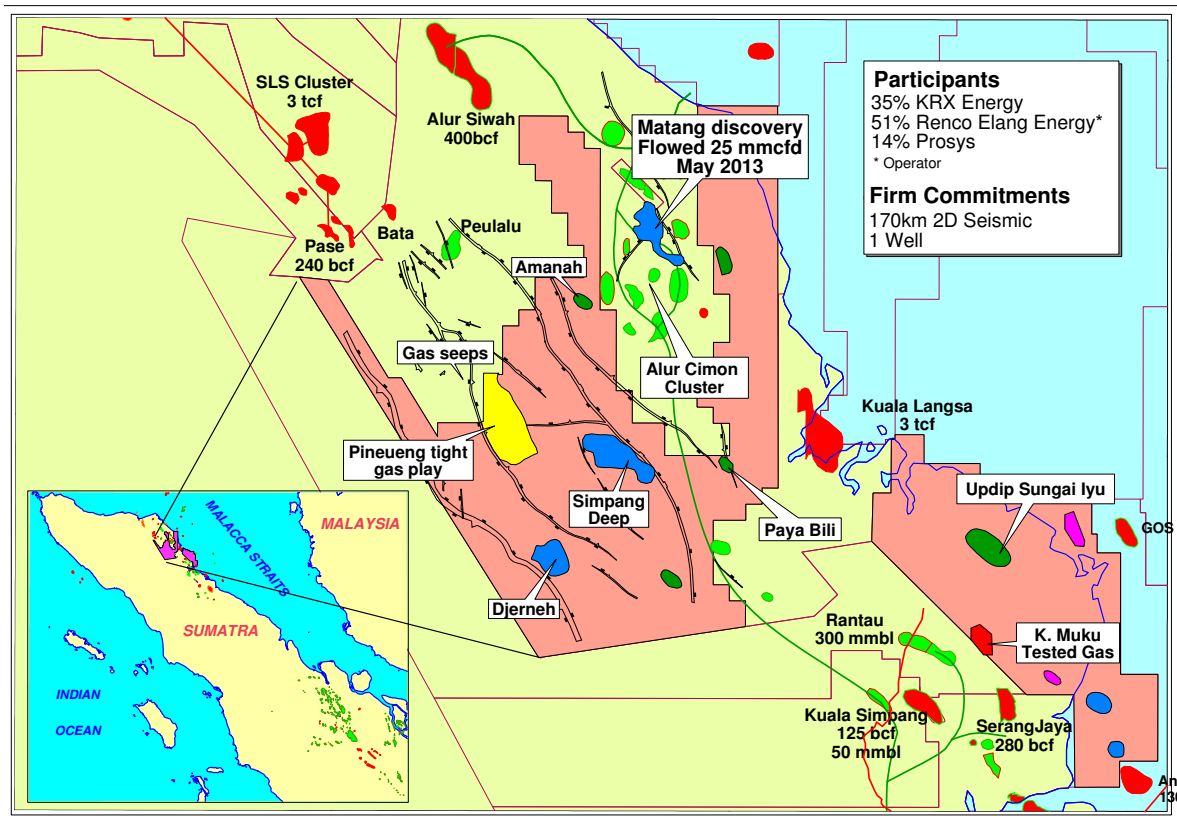
ACTIVITIES AND OPERATIONS: INDONESIA

South Block A (SBA) – Oil & Gas Exploration, Onshore North Sumatra

SBA is located onshore in the prolific North Sumatran Basin in close proximity to established pipelines and facilities. SBA contains proven hydrocarbons with gas and oil flows from old wells. Previous exploration in SBA focused on shallow oil targets. The new phase of exploration is targeting large scale wet gas driven by significant energy shortages and high gas prices in the rapidly expanding economy of the region, while overlooked high quality shallow oil remains an attractive target.

Existing infrastructure in the area will be beneficial to any drilling success in SBA and a significant new gas discovery (Matang 1), recently drilled just across the SBA block boundary, has flowed gas at 25 mmscfd and has been reported by the Operator – Medco - to contain between 100 – 400 bcf of gas. This discovery adds to three other discoveries, including the 400 bcf Alur Siwah gas field shown on the map below. These fields in this adjacent Block A PSC are currently undergoing engineering design with any associated downstream infrastructure having the potential to improve the commerciality of any discoveries in SBA.

The largest of the gas leads, Simpang Deep, has been mapped to have the potential to contain an Unrisked Prospective Resource of 285 bcf recoverable gas and 16 mmbbl condensate.



SBA Leads

Peak's majority controlled company, Renco Elang Energy Pte Ltd (**REE**), is Operator and has a 51% interest in the South Block A Production Sharing Contract ("**the Contract**"). Peak is operator and earning an indirect net 38.25% working interest in the Contract by funding REE's exploration up to an expenditure cap of around US\$3.6 million (of which approximately \$2 million has already been met) and otherwise on terms described in more detail in the summary of the SBA Shareholders Agreement set out in clause 2 in Section 7 below.

Peak's ability to complete this earning of that indirect 38.25% interest depends on its capacity to fund REE's proportion of the cost of the seismic program currently being undertaken. Absent raising sufficient funds under this Rights Issue and absent resolution of the dispute in relation to SC6 Cadlao as described above, and receipt of settlement funds proposed to be paid thereunder, Peak currently has no adequate financial resources to meet that obligation.

This funding requirement underlies the rationale for this Rights Issue being made on the terms set out herein and on the Rights Issue having been underwritten by Octanex. You are referred to clause 7 in Section 7 for further details relating to these matters.

Quest Geophysical Company has been contracted on a turnkey basis to complete a 170 line km 2D seismic program intended to satisfy the year one and year two work commitments under the Contract. The survey is underway with seismic recording having commenced.

Seismic data for the first three seismic line has been received following considerable preparatory work including surveying, line-clearing and drilling shot holes. Initial indications are that the data is of excellent quality and will achieve the objective of better understanding the leads and prospects already defined.

Resources

The 2D seismic, comprising the 170 line km of modern seismic data acquisition, has been devised to mature and prioritise the seven oil and gas leads (listed in Table 2 and shown on the above map) to prospect status, one of which will be selected for drilling next year (2014). Together these seven oil and gas leads provide an Unrisked P50 Prospective Resource of 439 bcf of gas and 47 mmbbl of oil and condensate.

The largest of the gas leads, Simpang Deep, has been mapped to have the potential to contain an Unrisked Prospective Resource of 285 bcf recoverable gas and 16 mmbbl condensate.

SOUTH BLOCK A PROSPECTIVE RESOURCES*			
Lead	Low Estimate (P90)	Best Estimate (P50)	High Estimate (P10)
Gas/Condensate Leads	BCF/(+MMBBLs Condensate)		
Simpang Deep	138.4/(7.2)	285.4/(15.9)	568.4/(33.0)
Djerneh	61.0/(1.3)	144.1/(3.1)	332.3/(9.3)
Total P50 Gas / (Condensate)	429.5 BCF / (19.0 MMBBLs)		
Oil/Associated Gas Leads	MMBBLs/(+BCF Gas)		
Amanah Crest	1.3/(0.5)	3.4/(1.2)	8.4/(2.9)
Amanah Flank	3.2/(1.1)	8.0/(2.8)	19.5/(6.8)
Paya Bili	1.7/(0.6)	4.1/(1.4)	9.2/(3.2)
Sungai Iyu	2.3/(0.8)	6.5/(2.3)	17.6/(6.2)
Sungai Iyu - Updip	1.6/(0.6)	5.9/(2.1)	21.1/(7.4)
Total P50 Oil / Associated Gas	27.9 MMBBLs / (9.8 BCF)		
Total P50 Oil & Condensate/Gas	47 MMBBLs / 439 BCF		

SBA main leads and prospective resources (100% basis)

Notes:

1. Lead prospective resource estimates calculated probabilistically.
2. Total P50 number added arithmetically.

* *“Prospective Resources” are “those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations”* Consequently, no accumulation might exist with the consequence that there are no actual hydrocarbons in situ in the relevant lead or prospect.

* Information regarding the resource classification system adopted herein is set out in clause 8 in Section 7.

Independent Third Party Valuation

On 6 December 2013, Peak released an independent third party valuation of the 35% interest in SBA owned by KRX Energy (SBA) Pte Ltd (“**KRX**”). The valuation was included in a report prepared by ResourceInvest for Lion Energy Limited (“**Lion**”) (ASX: LIO) dated 18 October 2013 and included in Lion’s amended Notice of Meeting dated and lodged with ASX by Lion on 6th November 2013.

The ResourceInvest valuation attributes a value of \$8.98 million to KRX’s 35% interest in SBA on a “most likely” basis (refer page 8 of ResourceInvest report). All other things being equal, application of this methodology to Peak’s indirect 38.25% interest in SBA would attribute a value of \$9.8 million to that 38.25% interest in SBA.

Peak has not carried out any review of the methodologies employed by ResourceInvest in arriving at its valuation of KRX’s 35% Interest in SBA and has not reviewed the underlying assumptions used by ResourceInvest for that purpose; nor does it intend to.

A complete copy of the report by ResourceInvest is attached to that announcement and all Peak Members are recommended to read that report in full to enable them to obtain a more complete understanding of the value and nature of Peak’s SBA interest.

In the event that any Peak Member has queries relating to the report by ResourceInvest, they should seek independent advice in relation to those matters.

ResourceInvest consented to inclusion of its report, and reference to its report, in Peak’s release.

The South Block A PSC and the South Block A Joint Venture Operating Agreement

The South Block A PSC (“**the Contract**”) with respect to the South Block A Contract Area (“**South Block A**” or “**SBA**”) was executed on 5 May 2009 between PT Realto Energi Nusantara Corelasi (**RENCO**), PT Prosys Oil & Gas International (**POGI**) and Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (**BPMIGAS**) (now **SKMIGAS**) representing the Government of the Indonesia.

REE and POGI entered into a Joint Operating Agreement on 20 June 2012 governing Joint Operations under the Contract (“**SBA JVOA**”).

By an Assignment Agreement and by an Assumption Deed both made 20 June 2012 between POGI, REE and KRX, KRX became a party to each of the Contract and the SBA JVOA

RENCO (with a 51% participating interest) was the designated operator at the outset, however it has transferred its interest in the Contract and operatorship to REE.

The initial term of the *Exploration Period* under the Contract is 6 years from the from the Effective Date (5 May 2009) with an obligation to carry out a specified work program during an initial 3 year period which includes the current seismic program and an exploratory well in the third year. That obligation was not satisfied in the 3 initial Contract Years specified in the Contract and formal approval was previously obtained from SKKMIGAS to extend the time for completion of the initial 3 year work program to 5 May 2013.

REE has, in its capacity as Operator, made a further request to extend that 3 year term to 5 May 2014 on the basis that these delays were a function of protracted negotiations between the Indonesian federal and regional governments and outside the control of the Joint Venture. The extension was granted on 9 December 2013 and is valid until 4 May 2014. This extension cures the previously existing default leaving the parties in good standing under the Contract.

Details of the Contract are set out in summary in the following table:

ITEM	SOUTH BLOCK A PROJECT
Participating interest holders	REE (51%) POGI (14%) KRX (35%)
Gross area	2,105 km ² split into 2 areas, Area 1 comprises 1,467 km ² and Area 2 comprises 637 km ² . ¹
Date of the Contract	5 May 2009
Government participation rights	10%
Initial Exploration Period	<p>6 years comprising initial 3 year firm commitment followed by an option to extend for a further 3 year term.</p> <p>First Contract Year Work Program: acquisition and processing of 50 km 2D seismic: Budget US\$450,000.</p> <p>Second Contract Year Work Program: geological and geophysical studies ("G&G Studies") Budget US\$250,000, Acquisition and processing of 120 km 2D seismic: Budget US\$1,080,000</p> <p>Third Contract Year Work Program: G&G Studies Budget US\$250,000, Drill exploratory well: Budget US\$1,080,000</p> <p>This First Three Year work program is a "Firm Commitment" under the terms of the Contract.</p> <p>Fourth Contract Year Work Program: G&G Studies Budget US\$250,000, Acquisition and processing of 50 km² 3D seismic: Budget US\$2,000,000, Drill exploratory well: Budget US\$3,000,000</p> <p>Fifth Contract Year Work Program: Drill exploratory well: Budget US\$3,000,000</p> <p>Sixth Contract Year Work Program: G&G Studies Budget US\$400,000, Drill exploratory well: Budget US\$3,000,000</p>
Carry Forward of Work Obligations	If during any Contract Year, Contractor performs less work than required in such Contract Year, Contractor may, with SKKMIGAS' consent, carry forward such work not performed in such Contract Year and add it to the work to be performed in the following Contract Years without prejudice to Contractor's rights and obligations under the Contract.
Additional Exploration Period	A maximum of 4 years.
Relinquishments	On or before the end of the initial three Contract Years: 25%, provided that if the Firm Commitment for those three Contract Years has not been met by the end of Contract Year three, an additional 15%, if required by SKKMIGAS. By the end of Contract Year six, a total of 80% of the original contract area.
Signature bonus	US\$1,500,000 under Clause 4.3 of the Contract (paid)
Equipment and/or service bonus	US\$50,000 (paid)

Funding Obligation

As more particularly described in clause 2 in Section 7, Peak must fund REE's 51% Participating Interest in SBA up to US\$3.6 million (of which approximately \$2 million has already been spent) (Funding Cap) for exploration activities in return for which Peak will earn a 75% interest in REE, and thereafter, Peak may be required to fund its fellow shareholders in REE (RENCO and Elang) by way of loan for up to a further total \$187,500 over and above its 75% share of REE's Participating Interest obligations.

ACTIVITIES AND OPERATIONS: MYANMAR

After having met stringent criteria, Peak was qualified by the Myanmar Government through its regulator, the Myanmar Oil and Gas Enterprise ("**MOGE**"), to participate in the 2013 offer rounds of blocks in the Republic of the Union of Myanmar. Peak has submitted bids for the recent round of offshore blocks in the Republic of the Union of Myanmar and awaits advice of results by MOGE.

ACTIVITIES AND OPERATIONS: AUSTRALIA

Sunday Creek, Western Australia – Uranium Interests

Peak's primary focus is as an upstream oil and gas company, however, the Company acquired interests in a number of minerals projects as a result of the 2011 reverse acquisition of Raisama Energy Ltd. Following the successful divestment of the Kashkasu Project in 2012, the Company undertook an internal review of its mineral portfolio and has decided to relinquish all but its Sunday Creek Uranium Project. This relinquishment program is ongoing and subject to various state government timetables.

Sunday Creek, which consists of three 100% owned exploration licence applications in the Rudall river region of Western Australia, is currently the subject of an access agreement between Peak and the Western Desert Lands Aboriginal Corporation. This agreement remains pending and, as such, the Company is not subject to any material holding costs at this time. The Company remains committed to divesting Sunday Creek and expects interest to improve as the uranium market recovers.

Section 4

PROPOSED MERGER WITH OCTANEX

As previously announced to ASX, it is intended that during Q1 of 2014 Peak will finalise proposed merger terms with Octanex, prepare a scheme booklet for the purpose of the merger and make application to the Court for Orders convening meetings of Peak Members and Peak Optionholders to enable them to consider and, if think fit, approve a merger with Octanex under which:

- (a) the Peak members at the time will exchange their shares in Peak for Shares in Octanex on a ratio to be agreed but which values the Peak shares at not less than \$0.01 (one cent) for each Peak Share;
- (b) The Optionholders in Peak will be granted Options to acquire ordinary shares in Octanex at an exercise price and ratio which reflects the value of their existing options in Peak.

The number of Octanex Shares to be issued as consideration for the cancellation of all of the Peak shares which Octanex will not own at that time (the “**Share Scheme Consideration**”) has not yet been determined or agreed.

Likewise, the number of Options to acquire ordinary shares in Octanex to be granted as consideration for the cancellation of all of the Options to acquire ordinary shares in Peak (the “**Option Scheme Consideration**”) has not yet been determined or agreed.

The merger will be subject to overview and examination by ASIC and the Supreme Court before any meetings of Peak members or Peak optionholders are convened by order of the Supreme Court to enable the schemes to be considered by Peak Members and Optionholders.

As Mr Albers and his Associates are associates of Octanex, none of Mr Albers or any of his Associates or Octanex or any of its Associates will vote at either of the Share Scheme Meeting or the Option Scheme Meeting (collectively the “**Scheme Meetings**”) so that the outcome of the proposals to merge Octanex and Peak will be entirely dependent on the approval, at the Share Scheme Meeting, of a majority in number of the members voting at the meeting holding not less than 75% in value (or number) of the Peak Shares actually voted on the resolution to approve the Share Scheme and thus, the merger.

Separately, there will be required to be two further meeting of the Peak Members to approve the cancellation of the Peak Shares held by Peak members other than Octanex. Because the Peak shares held by Octanex will not be cancelled the cancellation of the shares in Peak held by all other members of Peak (other than Octanex) will be a selective reduction of capital. Under the Act, this requires that:

- (a) a General Meeting to approve the reduction of capital;
- (b) a Class Meeting of the Peak members whose shares are to be cancelled;

The Scheme will be implemented by this reduction of capital of Peak in conjunction with the provisions of the Scheme proposed to be entered in to between Peak and its Members. The reduction of capital is a selective reduction of capital in accordance with the provisions of section 256B(2) of the Corporations Act.

The Corporations Act requires that a general meeting and a class meeting are held in relation to every selective reduction of capital where shares are being cancelled.

At the general meeting the members whose shares are being cancelled are not allowed to vote on the resolution to cancel the shares held by them. At the class meeting, the members whose shares are being cancelled are the only members allowed to vote on the resolution to cancel their shares.

The Corporations Act thus requires both groups of members to approve any selective cancellation of shares and requires the splitting of that approval process so that both groups of members must give approval. This prevents any dominant member controlling the cancellation of shares process.

Section 5

OVERVIEW OF OCTANEX

For the information and benefit of Members, this section contains a summary overview of Octanex and its controlled entities, its capital structure its assets and liabilities, financial position, management and its assets.

The information contained herein is as accessed from documents lodged by Octanex with ASX and is readily available to Members.

Members should understand that this information is general in nature and a summary only of such information and is provided so that Members have information about Octanex, which, as set out herein, has fully underwritten the Rights Issue.

The information set out below comprises a summary of Octanex's

- (a) exploration activities and assets;
- (b) capital structure with details of;
 - (i) the top 20 holders of the fully paid shares;
 - (ii) the top 20 holders of the partly paid shares;
 - (iii) spread analyses of holders of fully paid shares and partly paid shares;
 - (iv) substantial shareholdings; and,
 - (v) details of the 33,000,000 "Trustee Shares" on issue
- (c) summary audited Financial Statements as at 30 June 2013 (audited) and 16 December 2013 (unaudited based on Management Accounts);
- (d) profit and loss statement for year ended 30 June 2013 with comparative for 2012.

Overview and history

In 2004 Octanex listed on the NSX, at that time holding 100% interests in WA-323-P and WA-330-P (the Winchester blocks). Subsequently, in 2009, Octanex listed on ASX, holding large gas prospective acreages in the Carnarvon basin, most of which are still held.

Corporately, Octanex acquired Strata Resources NL through a merger in 2009 and subsequently, in 2011, Octanex acquired the Goldsborough Group, which is the holder an expansive Southern Bonaparte basin acreage exposure, by merger into the Octanex Group.

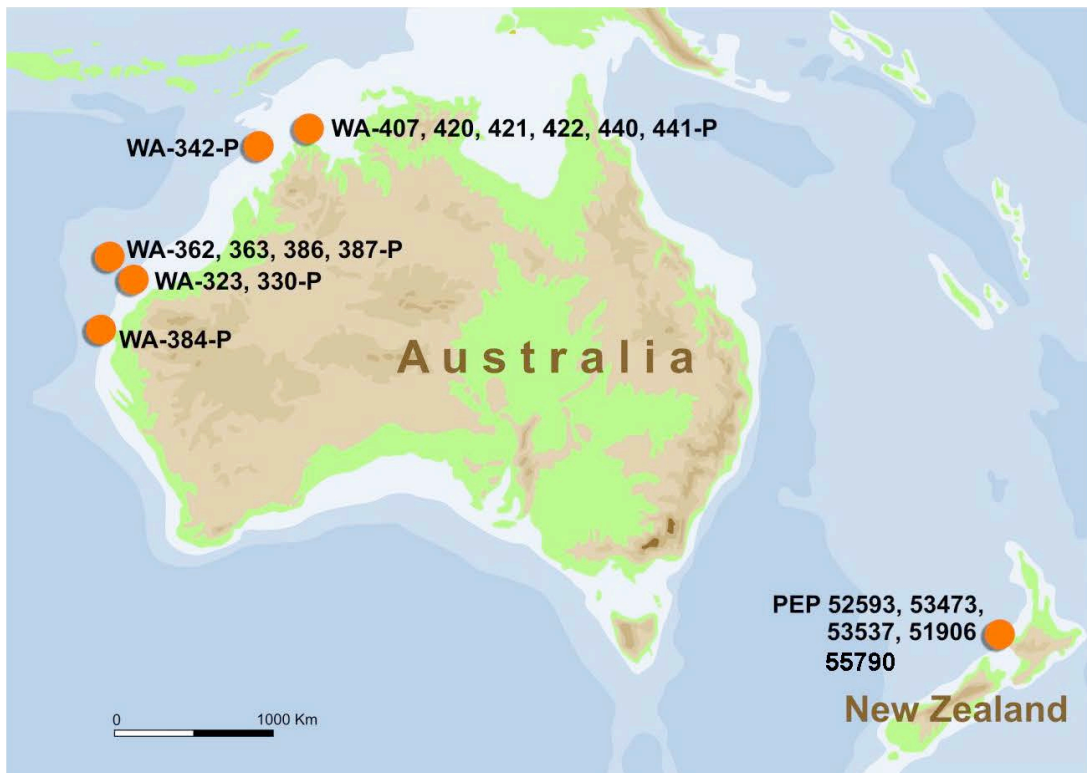
In 2009 Octanex established its foundation interest in the offshore Taranaki basin of New Zealand, building a position of five prospective contiguous blocks and an office in Wellington.

As a result of its corporate acquisitions, in conjunction with its operational activities, Octanex, in its own name and through its wholly-owned subsidiaries, currently holds working interests in 18 petroleum exploration permits and residual and royalty interests in another permit – see the Figure 1 *Location Map*.

The Australian permits are concentrated on the Greater North West Shelf and in the Bonaparte Basin, both offshore from Western Australia, in regions of moderate to intense exploration activity. In addition to the Australian based permits, Octanex holds interests in five permits that are adjacent to each other and strategically located in the offshore Taranaki Basin of New Zealand, a region of intense exploration activity.

Octanex's permit interests are situated in the offshore basins of Australia and New Zealand. In several instances, these permits are being explored by world-class companies. The general location of these Permits is set out on the map below

A brief overview of those interests is set out below. More detailed information can be obtained from ASX by downloading Octanex's 2013 Annual Report and ASX releases including Octanex's Quarterly Report for the quarter ended 30 September 2013. These can all be accessed from ASX under Octanex's ASX Code OXX.



Octanex Permits: Australia and New Zealand

The Australian permits are concentrated on the Greater North West Shelf and in the Bonaparte Basin, both offshore from Western Australia, in regions of moderate to intense exploration activity. In addition to the Australian based permits, Octanex holds interests in five permits that are adjacent to each other and strategically located in the offshore Taranaki Basin of New Zealand, a region of intense exploration activity.

A farmin to an area in the onshore Canning Basin of Western Australia is awaiting approval of the grant of a permit over the area and the satisfaction of conditions precedent for the benefit of Octanex.

The policy underlying the management of the Octanex Group's permits and related interests is one which, insofar as is practical and both legally and commercially expedient, does not differentiate between whether they are owned by Octanex N.L. directly, or indirectly through one or more of its wholly-owned subsidiaries. These interests and assets are all referred to herein as being held by "Octanex" or "the Company" or "the Octanex Group".

CARNARVON BASIN INTERESTS: WA-323-P & WA-330-P – Dampier Sub-Basin. Octanex has a 25% interest. Santos is Operator. WA-323-P and WA-330-P comprise a discrete project area of 640 km² on the Parker Terrace. As a result of a farmin agreement entered into with a subsidiary of Santos, Octanex was free carried in respect of its 25% interest in both permits through the first well in one of the permits and all other exploration costs for the two permits, up to the completion of that first well. That well (Winchester-1) encountered a number of gas bearing, Tithonian, Angel Formation sandstone reservoirs below 3613m MDRT (measured depth below the rig rotary table) before penetrating gas bearing and porous sand of the target Triassic Mungaroo Formation at 3658m MDRT, significantly higher than predicted. Gas shows were recorded from Triassic sandstones. The well was deepened to 3803m MDRT, encountering good gas shows, but also recorded over-pressure with gas and water influx into the well near the base of the section and the well was shut in.

Recent preliminary post-well analysis suggests the estimated size of the Winchester discovery, by itself, to be insufficient to be developed economically. Further contributions from possible deeper or adjacent hydrocarbon zones to the Winchester location would be required to augment the resource. It is understood that Santos plans to reprocess the 720 km² Winchester 3D survey in order to improve resolution for the purpose of selecting the next drilling target within the WA-323-P and WA-330-P permits.

Additional prospectivity exists within both the WA-323-P and WA-330-P permits, as disclosed in Octanex's September Quarterly Report.

WA-362-P & WA-363-P– Exmouth Plateau. Eni Australia Limited holds 66.667% and is Operator while Octanex holds 33.333%. The two permits now comprise a combined exploration area of approximately

10,956 km². Together with the WA-386-P and WA-387-P permits these four permits are located on the northern margin of the Exmouth Plateau, 300 – 400 km northwest of the Western Australian coastline. The committed work programme in the first three years of the renewed terms of both WA-362-P and WA-363-P calls for seabed coring and studies. This is then followed by a new 3D seismic survey and an exploration well in the last two years of each permit's term. Octanex is fully carried by Eni though all exploration activity, including the next well in each permit, should a well be drilled in either or both of the permits.

WA-386-P & WA-387-P – Exmouth Plateau. The WA-386-P and WA-387-P permits were each granted their first 5-year renewals on 7 February 2013. The two permits comprise a combined exploration area of approximately 7,630 km². Octanex has a 100% interest in both permits. The committed work programme in the first three years of the renewed terms of both WA-386-P and WA-387-P call for the acquisition of new 2D seismic surveys, licencing of newly available seismic data and studies. This is then followed by a new 3D seismic survey and an exploration well in the last two years of each permit's term.

WA-384-P – Southern Exmouth Sub-Basin. The permit is located in the Southern Exmouth Sub-basin. As a result of various agreements (first entered into in 2008) for the disposition to Shell Development (Australia) Pty Ltd (**Shell**) of a 100% working interest in WA-384-P, Octanex holds residual rights in the permit in the form of discovery payments and royalties, as well as rights of re-conveyance. Shell has drilled Palta-1 as the commitment well required under those agreements and has advised Octanex that Palta-1 reached total depth and logging results confirmed that it did not encounter commercial hydrocarbons. The well was plugged and abandoned. In order to provide time to evaluate the results of the Palta well, Shell applied for and was granted a six month suspension of the Year 6 work program for WA-384-P and the permit's term was extended for the same period.

SOUTHERN BONAPARTE BASIN INTERESTS. Octanex holds 100% interests in five petroleum exploration permits in the offshore Southern Bonaparte Basin and a 60% interest in a sixth permit in the Basin. Those permits are WA-407-P, WA-420-P, WA-421-P, WA-422-P, WA-440-P and WA-441-P. Octanex acquired six new seismic surveys that fulfilled the Year 2 and 3 work program commitments of their respective permits to acquire either new 2D or 3D seismic data. Full details of these surveys have previously been released to ASX. Once interpretation and mapping of the new surveys and related reprocessed 3D data has been completed, a campaign to farm out the Octanex Group's Southern Bonaparte Basin permit interests will be launched.

WA-407-P, WA-420-P, WA-421-P, WA-441-P & WA-440-P – Southern Bonaparte Basin. The Octanex Group holds a 100% interest in these five permits that encompass 232 graticular blocks and comprise approximately 18,950 km² in total in the Southern Bonaparte Basin.

The Tamar Trend Play. The Tamar Nose is a northeast/southwest trending structural high that extends down into the Sahul Syncline source kitchen and is seen as having potential as a natural focus for hydrocarbons migrating towards the southern Londonderry High. Three of the four wells previously drilled on the 'Tamar Nose' have oil shows, while the fourth well, Tamar-1 drilled in 1979, was not located on a valid trap. Reprocessed vintage 3D surveys and the new Tamar 3D survey will provide 3D seismic coverage over an exploration area of in excess of 1200 km², most of which is contained within WA-420-P. With the new 2D seismic data acquired in WA-421-P by the Kingfisher survey this will provide coverage of a play concept over an area of some 2,500 km² within the WA-420-P and WA-421-P permits.

The Saratoga/Ascalon Gas Discovery. The Ascalon 3D seismic survey was acquired within WA-407-P. The objective of the Ascalon survey is to enable more precise mapping of the Early Cretaceous Sandpaper Formation sandstone play and the deeper Late Permian, Tern and Cape Hay sandstone plays of the Hyland Bay Formation. There is the possibility that oil may be present in the leads defined on vintage 2D seismic data previously acquired within the Ascalon 3D survey area.

The Hawk Shallow Oil Play. The Hawk 2D seismic survey was acquired over leads in the north-western and central part of the WA-441-P permit. Interpretation of vintage 2D seismic data in the area of the survey indicated the presence of targets draped over basement topography. The Hawk survey was designed to identify whether these leads may form closed traps. Processing of the Hawk 2D seismic data has been completed, with the interpretation, its attendant mapping work and related studies scheduled for completion in Q4 2013 – Q1 2014.

The Joseph Bonaparte Gulf Oil Play. The Falcon 2D seismic survey was acquired over leads in the north-eastern part of the WA-440-P permit where interpretation of vintage 2D seismic data in the area of the survey has defined several structural leads. The Falcon survey was designed to identify whether these leads may form closed traps. Processing has been completed, with the interpretation, its attendant mapping work and related studies scheduled for completion in Q4 2013 – Q1 2014. WA-440-P is strategically located immediately east of the Blacktip gas development and the Turtle/Barnett oil accumulations. The proximity of the WA-440-P permit to the Blacktip and Turtle/Barnett discoveries, as well as the presence of the attractive and large Beehive prospect, provides further encouragement for the farmout of the Octanex Group's permit.

WA-422-P – Londonderry High. Octanex has a 60% interest and is Operator. The area of the recently acquired Rissa 3D seismic survey is located on the northern end of the Londonderry High, which is seen as a potential natural focus for oil migration. To the north of the Rissa survey area there are several oil fields (Kuda Tasi, Coralina, Laminaria, Jahal/Buffalo and Kitan); while the presence of residual oil columns in exploration wells within and to the south of the survey area indicates the existence of an oil migration route through the survey area. Leads identified on vintage 2D seismic data possess similar west to east oriented horsts and tilted fault blocks to those in the oil discoveries to the north of the Rissa survey area. Processing of the Rissa 3D survey data has been completed, with the interpretation and attendant mapping work scheduled for completion in Q4 2013.

WA-342-P BROWSE BASIN INTEREST: – Cornea. Octanex has an 18.75% economic interest. The WA-342-P permit is located in the Caswell Sub-basin of the Browse Basin offshore from Western Australia and covers an area of approximately 1,755 km². The permit is in its first 5-year renewed term, where the committed work programme in the first three years calls for studies and an exploration well; followed by reprocessing of 3D seismic and further studies in the last two years of the term.

The Joint Authority has declared a Location covering six graticular blocks within WA-342-P over the Cornea oil and gas accumulations (**Greater Cornea Fields**). The Location and the accumulations that make up the Greater Cornea Fields include the Cornea (Central and South), Focus and Sparkle Oil Fields and the Cornea North (Tear) Gas Field.

An application for a suspension of the Year 2 work programme commitments and extension of the permit's term has been lodged in anticipation of lodging a retention lease application. The application for a Retention Lease over the Cornea Location has been lodged but not determined.

The Joint Venture completed its determination of the Contingent Resources within the oil and gas accumulations of the Cornea South and Cornea Central Oil Fields and the Cornea North Gas Field (collectively the Cornea Field).

Details of Contingent Oil and Gas Resources

The Octanex Group's 'Economic Interest' in the oil and gas Contingent Resources detailed in the following Tables 1 and 2 is 18.75%.

Table 1 presents the probabilistically derived In-place and Contingent Oil Resources for the Cornea Central and South Oil Fields, with no development risk having been applied in deriving these volumes.

	Low Estimate	Best Estimate	High Estimate	
Middle Albian B & C Sands	(P90)	(P50)	(P10)	Units
Total Oil In-place	298.0	411.7	567.2	mmbbl
Recovery Factor	2	7	25	%
Contingent Oil Resources	7.9	28.8	101.9	mmbbl
Octanex Economic Interest	1.48	5.40	19.11	mmbbl

Table 1: In-place and Contingent Oil Resources for Cornea Central and South Fields

Table 2 presents the probabilistically derived In-place and Contingent Gas Resources for the Cornea Central, South and Tear Oil and Gas Fields, with no development risk having been applied in deriving these volumes.

	Low Estimate	Best Estimate	High Estimate	
Middle Albian B & C Sands	(P90)	(P50)	(P10)	Units
Total Gas In-place	84.90	117.3	161.5	Bcf
Shrinkage	0.94	0.96	0.99	Factor
Recovery Factor	30	38.7	50	%
Contingent Gas Resources	28.9	44.0	66.3	Bcf
Octanex Economic Interest	5.42	8.25	12.43	Bcf

Table 2: In-place and Contingent Gas Resources for Cornea Central, South and Tear Fields

The 'Contingent Gas Resources', and consequently the 'Octanex Economic Interest' in them, have reduced from those initially announced by Octanex on 19 August 2013 as a result of the recovery factors applied being decreased, for the purposes of finalising these factors for use in the Retention Lease application.

TARANAKI BASIN INTERESTS The Octanex Group holds varying interests in five petroleum exploration permits in the offshore Taranaki Basin of New Zealand; namely PEP 51906, PEP 52593, PEP 53473 and PEP 53537. The interests in the offshore Taranaki Basin cover over 7000 km² and are all held by Octanex's wholly-owned subsidiary, Octanex NZ Limited. The offshore Taranaki Basin of New Zealand is a region of intense exploration activity.

PEP 51906 – TARANAKI BASIN. The PEP 51906 Joint Venture consists of OMV New Zealand Limited (**OMV**) with 65.0%, Octanex with 22.5% and New Zealand Oil & Gas Limited (**NZOG**) with 12.5%. OMV is Operator. PEP 51906 covers an area of 1,613 km² and is adjacent to three producing fields; the Maui gas/condensate field to the east (which has been in production since 1979), the Tui oil field to the northeast (which has been producing since 2008) and the Maari/Manaia fields to the south (which commenced production in 2009).

In March 2011, Octanex entered into a farmin agreement with OMV in relation to PEP 51906. OMV was assigned a 65% participating interest in the permit, with the Octanex Group retaining a 35% participating interest. As part of the agreement, OMV became the Operator of the permit and the PEP 51906 Joint Venture. The terms of the farmin agreement required OMV to meet all of the cost of a new 3D seismic survey and the first well drilled in the permit. Octanex later entered into an agreement with NZOG in relation to the sale to it of a 12.5% interest in PEP 51906.

OMV acquired the new 3D seismic survey over the Matuku structure within PEP 51906 and completed the interpretation and mapping of the data in Q1 2012. As a result of the work done on the new 3D data, and following a variety of detailed studies, OMV has elected to drill the Matuku structure and considers it to be a valid structural closure at the target levels; with an estimated mean recoverable resource, if there are hydrocarbons in the prospect, of approximately 65 million barrels. OMV has commenced to drill Matuku-1. In the event of success at Matuku-1, the most likely follow up well to explore further possible closures would be sited on the northern lobe of the Matuku structure. There are contingent plans for the drilling of a Matuku-2 exploration well in the event of a discovery being made at Matuku-1. Matuku-1 is being drilled in a water depth of 130m and is planned to be drilled to total depth of approximately 4756m sub-sea. OMV has also identified further potential follow up targets, situated to the north and east of the Matuku prospect that will warrant additional investigation in the event of success at Matuku-1.

On 29 November 2012, Octanex sold a 12.5% interest in PEP 51906 to NZOG for US\$12,500,000 payable in three tranches, each of which has now been received. The agreement to sell the 12.5% interest in PEP 51906 to NZOG also includes a put and call option arrangement (exercisable by either Octanex or NZOG) if a decision is made to drill Matuku-2 in the event of a discovery at Matuku-1. If the option is exercised, NZOG will earn an additional 5% interest in PEP 51906 (increasing its interest in the permit to 17.5% and reducing Octanex's interest in the permit to 17.5%) by meeting all of the costs otherwise payable by Octanex in relation to the drilling of Matuku-2.

The sale of the 12.5% interest in PEP 51906 to NZOG has seen a significant US\$12.5M cash inflow to the Octanex Group during 2013. Also in relation to PEP 51906 and the agreement with NZOG, it includes a possible call option exercisable by NZOG (but only if neither the put nor call option relating to Matuku-2 has

been exercised), whereby NZOG can earn a further 5% interest in PEP 51906 by meeting all of the Octanex Group's costs associated with the drilling of a second exploration well in PEP 51906.

PEP 53537 – TARANAKI BASIN. The PEP 53537 Joint Venture consists of OMV with 65% and Octanex with 35%. OMV is Operator. PEP 53537 adjoins the western boundary of PEP 51906. Based on previous successful drilling results in areas close to PEP 53537, the Kapuni Group plays are seen to be the most prospective for the permit, although possible targets in the Moki Formation are also being analysed. The completed work programme commitments for the initial period of PEP 53537 were to undertake geological studies, reprocess 400 km of existing 2D seismic data and acquire 100 km of new 2D seismic data and 18 km² of new 3D seismic data. In conjunction with the Matuku 3D seismic survey in PEP 51906 and PEP 53537, the seismic vessel carried out the 2D seismic survey in PEP 53537 required under the work programme. Processing of all the new and reprocessed data has been completed and detailed interpretation and mapping of the new data is on-going, in conjunction with the newly reprocessed data. In Q2 2013, the regulatory authority granted a variation to the work programme, such that the Joint Venture will now acquire either a new 200 km 2D or 100 km² 3D seismic survey in Year 3 (that commenced on 4 July 2013). The variation also provides a 12 month deferral of the well commitment.

PEP 52593 – TARANAKI BASIN. The PEP 52593 Joint Venture consists of NZOG with 50% and Octanex with 50%. NZOG is Operator. PEP 52593 covers an area of over 3,500 km² and is located in the offshore Taranaki Basin, north of PEP 51906 and adjoining the northern and western boundaries of PEP 53537

Octanex and NZOG entered into a farmin agreement relating to PEP 52593 under which Octanex assigned a 50% interest in PEP 52593 to NZOG in consideration of NZOG agreeing to fund 60% of all ongoing exploration costs in the permit, until such time as the permit is either surrendered or a commitment is made to the Secretary of Energy to drill a well in the permit. NZOG also became the Operator of the permit and the PEP 52593 Joint Venture. Leads have been identified within PEP 52593 and studies are on-going in relation to them. Following interpretation and mapping of reprocessed and other vintage seismic data in the permit a decision made to acquire a new 3D seismic survey over the Karoro Lead within PEP 52593. The survey has been completed. The main focus of the Karoro 3D seismic survey is the attractive Karoro lead, a compressional anticline situated updip and immediately adjacent to the Tane Trough hydrocarbon source kitchen and located entirely within the northwest part of the permit. The target reservoir for the Karoro lead are Late Cretaceous sandstones of the North Cape Formation which are well developed with good porosity and permeability in the nearest well, Tane-1, situated to the east. Processing, interpretation and mapping of the new Karoro 3D data is to be completed by the end of March 2014, at which time the Joint Venture must either commit to drill a well or surrender the permit.

PEP 53473 – TARANAKI BASIN. The PEP 53473 Joint Venture consists of NZOG with 50% and Octanex with 50%. NZOG is Operator. The permit covers an area of 853 km² and is located in the offshore Taranaki Basin, lying between the PEP 51906 and PEP 52593 permits and immediately adjacent to the north of the Tui oil field. There have been two wells drilled within the permit area, Takapou-1 and Kopuwai-1, both of which encountered oil shows. PEP 53473 is being explored as a combined area with PEP 52593 and reprocessing of more than 2000 km of existing 2D data from within and adjacent to both permits has been completed. Octanex entered into a farmin agreement with NZOG under which Octanex has assigned a 50% interest in PEP 53473 to NZOG in consideration of NZOG agreeing to fund 75% of all ongoing exploration costs in the permit, until such time as the permit is either surrendered or a commitment is made to the Secretary of Energy to drill a well in the permit. The Joint Venture contracted the "*MV Western Monarch*" to also shoot the new 595km² 3D seismic survey, named Kokako, with acquisition completed on 21 April 2013. The main focus of the Kokako 3D seismic survey is two attractive leads within the permit. The first lead, Kokako, is located in the southeast corner of the permit while the second, Toutouwai, is located in the north. There is a third less developed lead, Riroriro, in the northeast corner of the permit that also falls within the area of the Kokako survey. The Kokako 3D seismic survey was acquired to enable geotechnical studies to potentially elevate the leads to the status of drillable prospects. Processing, interpretation and mapping of the new Kokako 3D data is to be completed by mid March 2014, at which time the Joint Venture must either commit to drill a well or surrender the permit.

CANNING BASIN FARMIN INTEREST. In January 2013, Octanex announced it had agreed to acquire a 25% interest from Oil Basins Limited (OBL) in a permit to be issued in respect of the Western Australia petroleum exploration permit application area 5/07-8 EP (**Derby Block**). The purchase price for the 25% interest is A\$1.75 million, payable to OBL after all conditions precedent to the acquisition have been satisfied or waived. The Derby Block comprises an area of approximately 5,063 km² in the onshore Canning Basin, southeast of Derby. The grant of the permit for the Derby Block is subject to determination of Native Title. On 1 February 2013, the National Native Title Tribunal (NNTT) made a determination permitting the grant of a permit for the Derby Block, subject to various conditions. However, an appeal was lodged by the Kimberley Regional Economic Development Corporation against the NNTT determination. A decision on the appeal was handed down on 23 December 2013. OBL has advised Octanex that all five grounds of appeal by the Native Title

appellants were dismissed and that His Honour found that there were no grounds to grant the Native Title appellants an extension of time in which to have lodged their appeal, which was made out of time. It is anticipated that, unless there are unforeseen matters, title should be granted to the applicants for the permit.

Octanex considers that the Derby Block is potentially prospective for unconventional oil and gas from shales, as well as gas from coal seams, and there is particular attraction in the potential of the shale formation known as the Laurel Formation. In addition, there are a number of other formations which have potential for the discovery of conventional and unconventional hydrocarbons.

OCTANEX CAPITAL STRUCTURE

Octanex has a total of 259,406,308 ordinary shares on issue, together with 500,000 options exercisable at \$0.45 cents each expiring on 31 March 2014 and 3,850,000 options to acquire ordinary share at an exercise price of \$0.32 exercisable up until 30 June 2015.

Of the shares on issue:

- (a) 152,127,398 are fully paid ordinary shares listed on ASX under ASX Code OXX;
- (b) 74,278,910 are partly paid ordinary shares, paid to \$0.15 with another \$0.10 payable but not before made before 31 December 2015 on account of the unpaid amount of 10 cents per share. The date and amounts of any call or calls that may be made thereafter will be made in accordance with the Constitution, the Corporations Act 2001 and the ASX Listing Rules, as applicable from time to time. The partly paid shares which are listed on ASX under ASX Code OXXCB;
- (c) 33,000,000 are ordinary shares which are "Trustee Shares" and which are unlisted. Octanex is party to a Trustee Stock Scheme, pursuant to which ordinary shares ranking equally with other ordinary shares on issue were issued to Doravale Enterprises Pty Ltd as a trustee on trust for sale. The trustee may sell those shares as fully paid or partly paid ordinary shares and must then pass the net proceeds of the sale of each such share to Octanex as the subscription moneys for that share.

Set out below are the top 20 holders of the fully paid listed shares trading under ASX Code OXX, the top 20 holders of the partly paid listed shares trading under ASX Code OXXCB, distribution schedules for each such class and details of substantial shareholders, all as at 19 December 2013.

TOP 20 SHAREHOLDERS FULLY PAID SHARES ASX CODE: OXX

OCTANEX TOP 20 LISTED SHAREHOLDERS AS AT 19 DECEMBER 2013 ASX CODE: OXX			
Rank	Name	19 Dec 13	%IC
1	GASCORP AUSTRALIA PTY LTD	30,926,968	20.33%
2	MR ERNEST GEOFFREY ALBERS & MRS PAMELA JOY ALBERS	21,093,399	13.87%
3	SACROSANCT PTY LTD	12,050,960	7.92%
4	MR ERNEST GEOFFREY ALBERS	8,101,681	5.33%
5	GREAT MISSENDEN HOLDINGS PTY LTD	6,918,568	4.55%
6	GREAT AUSTRALIA CORPORATION PTY LTD	5,265,000	3.46%
7	BASS STRAIT GROUP PTY LTD	4,033,058	2.65%
8	THE ALBERS COMPANIES INCORPORATED PTY LTD	3,780,491	2.49%
9	CUE PETROLEUM PTY LTD	3,511,634	2.31%
10	AURALANDIA NL	3,152,603	2.07%
11	MRS PAMELA JOY ALBERS	3,062,500	2.01%
12	AUSTRALIS FINANCE PTY LTD	3,046,250	2.00%
13	GREAT MISSENDEN GROUP PTY LTD	2,765,060	1.82%
14	FUGRO MULTI CLIENT SERVICES PTY LTD	2,657,181	1.75%
15	SEAQUEST PETROLEUM PTY LTD	2,248,000	1.48%
16	ALBERS CUSTODIAN COMPANY PTY LTD	2,152,500	1.41%
17	APPLEDORE SUPERANNUATION PTY LTD	2,125,010	1.40%
18	WILSTERMERE CORPORATION PTY LTD	1,760,000	1.16%
19	AUSTRALIAN NATURAL GAS PTY LTD	1,650,000	1.08%
20	MR NEIL CLIFFORD ABBOTT & GELLERT IVANSON TRUSTEE LTD	1,084,600	0.71%
TOTAL		121,385,463	79.79%
Balance of Register		30,741,935	20.21%
Grand TOTAL		152,127,398	100.00%

TOP 20 SHAREHOLDERS PARTLY PAID SHARES ASX CODE: OXXCB

OCTANEX TOP 20 PARTY PAID SHAREHOLDERS AS AT 19 DECEMBER 2013 (ASX CODE: OXXCB)			
Rank	Name	Holding as at 19 Dec 2013	% Holding
1	GREAT MISSENDEN HOLDINGS PTY LTD	10,045,726	13.52%
2	MR ERNEST GEOFFREY ALBERS & MRS PAMELA JOY ALBERS	7,957,724	10.71%
3	GASCORP AUSTRALIA PTY LTD	7,121,742	9.59%
4	BASS STRAIT GROUP PTY LTD	4,958,264	6.68%
5	SACROSANCT PTY LTD	3,975,201	5.35%
6	CUE PETROLEUM PTY LTD	3,752,871	5.05%
7	GREAT MISSENDEN GROUP PTY LTD	2,891,265	3.89%
8	AURALANDIA NL	2,097,335	2.82%
9	MR ERNEST GEOFFREY ALBERS	2,025,420	2.73%
10	GREAT AUSTRALIA CORPORATION PTY LTD	1,710,000	2.30%
11	THE ALBERS COMPANIES INCORPORATED PTY LTD	1,505,122	2.03%
12	TROCA ENTERPRISES PTY LTD	1,504,750	2.03%
13	AUSTRALIS FINANCE PTY LTD	1,211,562	1.63%
14	MR NEIL CLIFFORD ABBOTT & GELLERT IVANSON TRUSTEE LTD	1,158,960	1.56%
15	APPLEDORE SUPERANNUATION PTY LTD	1,157,502	1.56%
16	SEAQUEST PETROLEUM PTY LTD	809,500	1.09%
17	MRS PAMELA JOY ALBERS	765,625	1.03%
18	JILLIBY PTY LTD	700,000	0.94%
19	ALBERS CUSTODIAN COMPANY PTY LTD	650,625	0.88%
20	MR DAVID HUGO RANKIN	612,259	0.82%
TOTAL		56,611,453	76.21%
Balance of Register		17,667,457	23.79%
Grand TOTAL		74,278,910	100.00%

OCTANEX SUBSTANTIAL SHAREHOLDERS

OCTANEX SUBSTANTIAL SHAREHOLDERS AS AT 19 DECEMBER 2013		
Name of Substantial Shareholder	Interest in Number of Shares Beneficial and non-beneficial	% of Shares
The Albers Group	147,770,461	65.21

OCTANEX FULLY PAID SHARES (ASX CODE: OXX) DISTRIBUTION SCHEDULE

OCTANEX FULLY PAID SHARES (ASX CODE: OXX) HOLDINGS DISTRIBUTION AS AT 19 DECEMBER 2013				
Range	Securities	%	No of Holders	%
100,001 and Over	135,919,947	89.35	75	5.02
10,001 to 100,000	12,971,189	8.53	395	26.46
5,001 to 10,000	1,412,763	0.93	165	11.05
1,001 to 5,000	1,772,930	1.17	688	46.08
1 to 1,000	50,569	0.03	170	11.39
Total	152,127,398	100.00	1,493	100.00
Unmarketable Parcels	615,093	0.40	511	34.23

OCTANEX PARTLY PAID SHARES (ASX CODE: OXXCB) DISTRIBUTION SCHEDULE

OCTANEX PARTLY PAID SHARES (ASX CODE: OXXCB) HOLDINGS DISTRIBUTION AS AT 19 DECEMBER 2013				
Range	Securities	%	No of Holders	%
100,001 and Over	67,357,215	90.68	61	15.93
10,001 to 100,000	6,287,018	8.46	154	40.21
5,001 to 10,000	413,767	0.56	48	12.53
1,001 to 5,000	199,722	0.27	66	17.23
1 to 1,000	21,188	0.03	54	14.10
Total	74,278,910	100.00	383	100.00
Unmarketable Parcels	146,349	0.20	105	27.42

DIRECTORS

The directors of Octanex are as follows.

EG Albers LL.B, FAICD
Chairman and Chief Executive Officer
Executive Director

Mr Albers has over 35 years experience as a director and administrator in corporate law, petroleum exploration and resource sector investment. He is a law graduate of the University of Melbourne and, after being admitted in 1969 as a Solicitor of the Supreme Court of Victoria, held a corporate practicing certificate in Victoria until 2001.

Mr Albers first became involved in oil exploration in 1977. At that time, companies associated with him applied for and were awarded exploration permits in the offshore Gippsland and Bass Basins. Exploration in one of these permits, T/14P, led directly to the discovery of the Yolla Gas/Condensate Field in Bass Strait, which is now being produced by Origin Energy Limited and others.

In the early 1980s, Mr Albers formed Cue Energy Resources Limited and Southern Petroleum N.L. in New Zealand. Cue is ASX-listed and has a significant interest in the Maari oilfield development in New Zealand, the unitised SE Gobe oilfield in PNG and the Oyong oil and gas development in offshore Indonesia. Mr Albers was a director of Cue until August 2009. Southern Petroleum became a successful production company through its interest in the Waihapa oilfield and is now a subsidiary of Shell New Zealand.

Mr Albers founded Octanex N.L. and he is a substantial shareholder in the company. He was also a founder of ASX-listed MEO Australia Limited and is a former director of that company. MEO is pursuing the development of a \$2 billion gas processing plant on Tassie Shoal in the Timor Sea, 300 km north-west of Darwin. He then founded Bass Strait Oil Company Ltd, an ASX-listed company which has developed a portfolio of interests in the offshore Gippsland Basin and is a niche explorer in that basin. Mr Albers was a director of Bass from its formation until August 2009.

Mr Albers was instrumental in the formation of Moby Oil & Gas Limited in 2003 and in its listing on ASX in 2004. He is a director of and substantial security holder in that company, which has interests in three permits in offshore Australia. In addition, Mr Albers has interests in a number of unlisted public and private companies active in the exploration for oil and gas in Australian offshore waters and in South-East Asia. He is a member of the Petroleum Exploration Society of Australia and been a Director of Octanex since 2 October 1984.

Mr Albers is Chairman of Peak and he and his Associates are substantial shareholders in Peak as disclosed herein.

JMD Willis LL.M (Hons), Dip Acc
Non-Executive Director

Until his resignation from the practice in 2007, Mr Willis had been a partner in the leading New Zealand law firm of Bell Gully for more than 25 years. His practice speciality was in the upstream oil and gas area, particularly relating to issues concerning gas contracting and the development of oil and gas reserves, joint ventures and upstream petroleum related acquisitions. He has acted for the leading participants in the upstream petroleum industry in New Zealand.

Mr Willis was a director of MEO Australia Limited until July 2008, a position he had held for 10 years during a crucial period of its growth. With Mr Albers, he was co-founder and later a director of Southern Petroleum NL. Willis has been a Director of Octanex since 18 August 2009.

GA Menzies LL.B
Non-Executive Director

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

Since 1987 he has carried on practice as a sole practitioner under the name of Menzies & Partners. In the course of his legal practice Mr Menzies has been involved in a wide range of activities, including takeovers, litigation in respect thereof, numerous capital raisings and corporate reconstructions. He has been involved as a lawyer in the listing of a large number of public companies ranging from junior explorers to substantial mining companies. Over recent years his activities have focused primarily on corporate reconstructions and capital raisings.

Mr Menzies is a director of Enege NL and Moby Oil & Gas Limited, as well of a number of private and unlisted public companies. He has been a Director of Octanex since 26 August 2003.

DC Coombes LL.B, M Tax, CTA
Non-Executive Director

Mr Coombes was admitted as a barrister and solicitor of the Supreme Court of Victoria in 1971 after graduating from Melbourne University Law School in 1970. He has completed a postgraduate degree in taxation law, is a Chartered Tax Advisor and has been accredited as a Tax Law specialist by the Law Institute of Victoria.

Mr Coombes is a partner in the law firm, Gadens Lawyers, and is a member of the firm's corporate advisory and tax group. His practice involves advising clients on a range of corporate, commercial and taxation law matters, as well as preparing and advising on a range of commercial agreements, structures and transactions including mergers and acquisitions, takeovers, capital raisings, corporate and trust restructuring, asset sales and purchases, joint ventures, business reconstructions, trusts and superannuation law and estate and succession planning. Mr Coombes acts for a number of Australian and overseas listed and private clients in numerous industry sectors including mining and resources, media and entertainment, agribusiness, property investment and property development projects, transport and infrastructure projects.

Mr Coombes is a director of several charitable organisations including Wintringham Limited, Wintringham Housing Limited, Newsboys Foundation Limited and Asia Pacific Business Coalition for HIV/AIDS Limited. He is also a director of the Wynn Group of Companies and has been a Director of Octanex since 16 May 2012.

OCTANEX FINANCIAL INFORMATION

Set out below are:

- (a) summary Statements of Financial Position of Octanex (and controlled entities) as at 30 June 2013 (audited) with unaudited Statement of Financial Position of Octanex (and controlled entities) as at 16 December 2013 (unaudited) based on management accounts;
- (b) Octanex consolidated statement of profit or loss and other comprehensive income for year ended 30 June 2013;
- (c) results of Octanex for the year ended 30 June 2013

By necessity, this information is incomplete and is intended to provide Members with an overview of Octanex and its assets and liabilities and prospects in a general sense.

For further information, Members should access Octanex's Annual Report for the year ended 30 June 2013.

STATEMENTS OF FINANCIAL POSITION

AUDITED STATEMENT OF FINANCIAL POSITION OF OCTANEX AND CONTROLLED ENTITIES AS AT 30 JUNE 2013 WITH UNAUDITED STATEMENT OF FINANCIAL POSITION OF OCTANEX AND CONTROLLED ENTITIES AS AT 16 DECEMBER 2013 BASED ON MANAGEMENT ACCOUNTS

	Consolidated	
	Audited 30-Jun-13 \$	Unaudited 16-Dec-13 \$
CURRENT ASSETS		
Cash and cash equivalents	11,696,194	21,963,609
Asset held for sale	32,101	
Trade and other receivables	287,736	540,243
Total current assets	12,016,031	22,503,852
NON-CURRENT ASSETS		
Receivables	-	-
Financial assets at fair value through other comprehensive income	433,163	433,163
Fixed assets	33,472	26,772
Exploration and evaluation assets	51,950,629	56,686,134
Total non-current assets	52,417,264	57,146,069
TOTAL ASSETS	64,433,295	79,649,921
CURRENT LIABILITIES		
Trade and other payables	563,553	5,899,324
Current tax liabilities	-	1,900,958
Total current liabilities	563,553	7,800,282
NON-CURRENT LIABILITIES		
Payables	-	-
Provisions	63,583	63,583
Deferred tax liabilities	12,778,474	12,824,912
Total non-current liabilities	12,842,057	12,888,495
TOTAL LIABILITIES	13,405,610	20,688,778
NET ASSETS	51,027,685	58,961,143
EQUITY		
Issued Capital	61,603,609	61,603,608
Reserves	883,380	883,380
Dividend	-	-
Accumulated losses	(11,459,304)	(3,525,845)
Total Equity	51,027,685	58,961,143

RESULTS OF OCTANEX FOR THE YEAR ENDED 30 JUNE 2013

The consolidated entity, being Octanex and its controlled entities, recorded a loss after income tax for the year ended 30 June 2013 of \$177,022 (2012: profit of \$1,713,316).

OCTANEX STATEMENT OF PROFIT OR LOSS FOR YEAR ENDED 30 JUNE 2013

OCTANEX CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2013		
	2013 \$	2012 \$
Revenue - interest received	588,91	1,166,348
Other income	2,845,21	5,054,669
Expenses	(4,135,232)	(2,416,619)
(Loss) profit before tax	(701,099)	3,804,398
Income tax benefit (expense)	524,07	(2,091,082)
(Loss) profit after tax	(177,022)	1,713,316
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Changes in financial assets at fair value through other comprehensive income	(849,643)	274,177
Income tax on items of comprehensive income	254,89	(82,253)
Other comprehensive income for the year net of tax	(594,750)	191,924
Total comprehensive income for the year	(771,772)	1,905,240
Basic earnings per share (cents per share)	(0.090)	0.963
Diluted earnings per share (cents per share)	(0.090)	0.963

Section 6

RISKS INVOLVED IN INVESTING IN PEAK

The risks described in this Section and elsewhere in this Rights Issue document are not necessarily exhaustive. Applicants should realise that any company with resource-based operations is subject to a wide range of risks, many of which may not be foreseeable.

Before deciding to invest in the Company, Applicants should read this document carefully, in its entirety and with particular emphasis on the risk factors detailed in this Rights Issue document. There are risks associated with holding Peak Shares and some of those risks are described in this Section.

Investors should be aware that an investment in the Company involves many risks which may be far higher than the risks associated with an investment in other companies. Intending investors should refer to announcements made by the Company to ASX. This information is available from the ASX website (www.asx.com.au) where the Company's ASX code is PKO. The Company's website. www.peakoil-gas.com

Intending investors should review announcements made by the Company in order to fully appreciate such matters, and the manner in which the Company operates, before making a decision regarding the Rights Issue.

Investors should note that no guarantee or representation is, or can be, made with respect to the payment of dividends, returns of capital or the market value of the Shares offered for subscription.

The business operations of Peak will be subject to risks which may impact adversely and severely on its future performance. These risks may adversely affect the value of any shares in Peak. The value of Shares in Peak and of its underlying assets will depend on factors beyond the immediate control of the Board. Shareholders and proposing investors face the risk that, while the Board will seek to achieve its stated aims, it may not be able to do so.

Apart from project specific risks relating to both the South Block A Project and the Cadlao Project (including that the Cadlao joint venturers are in breach of the Cadlao Service Contract), which project specific risks are referred to throughout this Rights Issue document, the primary risk that exists relating to Peak, and any investment in Peak shares, is sufficiency of funding.

At this stage Peak does not have sufficient funds to meet its present and immediate funding obligations. If the Rights Issue proceeds and the full amount of the Rights Issue is received, either from Peak shareholders taking up their entitlements, or from the Underwriter, Peak will have sufficient funds to meet its funding obligations for South Block A and for corporate overheads and operating costs between the date of this Rights Issue document and (approximately) the end of April 2014.

If, for any reason, the Rights Issue does not proceed, or if for any reason, the Underwriting Agreement is either avoided or unable to be implemented and relied upon, Peak has insufficient funds to continue funding its operations beyond the end of 2013.

At this stage, unless Peak raises the full amount of the Rights Issue (the Underwritten Amount) or Peak completes its negotiations with Cadco to settle their dispute and actually receives funds under that proposed settlement agreement, Peak will have insufficient funds to enable it to meet its short term commitments under the SBA Shareholders Agreement by funding the existing seismic program which has commenced.

In this context, while the Board anticipates executing a settlement agreement with Cadco in the near future, it should be noted that any settlement agreement will be subject to a variety of conditions and that there is no certainty as to whether, or when, those conditions will be satisfied or whether any agreement, if executed, will be able to be completed. The Peak Board considers that, if Cadco is unable to resolve its financing requirements for the Cadlao Project to enable the Cadlao project to proceed, then the Department of Energy of the Philippines may cancel SC6 Cadlao, with the result that the Cadlao Project ceases to exist and Peak ceases to have any interest therein.

These are not matters within Peak's control. If SC6 Cadlao is cancelled a further consequence for Peak would be that the indirect interest in the Cadlao Project which it holds through VenturOil would also cease to exist with Peak's shareholding in VenturOil becoming substantially worthless.

If Peak fails to satisfy its funding obligations under the SBA Shareholders Agreement by funding the current seismic program, it will be in breach of its obligations under that agreement and this will, absent another source of funding becoming available to REE, leave REE in the position where it will not be able to meet its funding

obligations under the SBA JVOA and this may result in REE becoming in default thereof under Article VIII with the possible consequence that it may forfeit its interest in South Block A and in the Contract, with the consequence that, regardless of other matters, Peak would effectively cease to hold one of its two major oil and gas interests, the other being its various interests in SC6 Cadlao as discussed below and elsewhere herein.

It is against the above background that the current Rights Issue was conceived with that issue being agreed to be underwritten by Octanex.

It is also against that background and the fact that the only source of funding that has been available to Peak has been from Mr Albers and his Associates, and that Mr Albers has a significant holding in Peak, controlling 34.79% of its issued capital, that the proposal to merge Octanex and Peak with the members of Peak exchanging their shares in Peak for shares in Octanex was derived. The proposal suits both Octanex and Peak. It suits Octanex because it has started to expand its oil and gas activities into South East Asia and it suits Peak because Octanex has the capacity to fund Peaks current work program obligations from its own internal cash resources and is interested in doing so.

Apart from sufficiency of funding, Peak faces a wide range of other risks common to small undercapitalized companies operating in the resources sector. Those risks, and the risks associated with investment in Peak's Shares include:

Share price risks. Applicants should recognise that the prices of shares fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment. Applicants will be aware that in the last 18 month period in particular, there has been an unprecedented level of volatility on world stock markets and that no predictions can be made as to whether that period of volatility has now ended.

Investment risks generally. Holding Peak shares will be subject to risks of a general nature relating to investment in shares and securities and especially where the company in which the investment is made has a comparatively small market capitalisation.

Oil and gas exploration and development risks generally The business of oil and gas exploration and development involves a significant degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. To prosper, Peak depends on factors that include successful exploration and the establishment of petroleum resources and reserves.

There is no assurance that expenditure to be made on future exploration and/ or development activities by Peak will result in discoveries of oil, condensate or natural gas that can be commercially or economically exploited since exploration is inherently a speculative endeavour. Even if an apparently viable resource is identified, there is no certainty that it can be economically exploited.

The general risks of oil and natural gas exploration and development include encountering unexpected geological formations or pressure, premature declines of reservoirs, blow-outs, invasion of water into producing formations, cratering, fires and spills causing pollution, and changes in drilling plans and locations following the results of exploratory wells and interpretation of new seismic data. The costs of exploration and development can exceed planned expenditure due to these inherent uncertainties. Exploration and development operations can be hampered by force majeure circumstances and cost overruns for unforeseen events, including unexpected variations in geology and equipment malfunction. Losses resulting from any of these risks could have a material adverse effect on Peak's financial resources or could result in a total loss of the assets affected, and accordingly, may affect the market price of the Shares. Project development and production contains risks by its very nature. To prosper, it depends on the design and construction of efficient production/processing facilities, competent operation and managerial performance and proficient marketing of the product.

Apart from being able to all legal and regulatory approvals necessary to commence operations, success in oil & gas exploration is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable reserves;
- (b) access to adequate capital for project development;
- (c) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (d) securing and maintaining title to interests;

- (e) obtaining regulatory consents and approvals necessary for the conduct of oil and gas exploration, development and production;
- (f) securing plant and equipment, particularly given equipment utilisation rates are high in the current period of global exploration/production activity, hence competition for such equipment may also be high; and
- (g) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

There can be no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil and/or gas. In particular, completed wells may never produce oil or gas or may not produce sufficient quantities or qualities of oil and/or gas to be profitable or commercially viable and may result in a total loss of the investments by the Company.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production and transmission facilities. Factors including costs and commodity prices affect successful project development and operations.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, well control issues, shortages or delays in the delivery of drill rigs or other equipment.

Specific Risks Associated with Operating in Philippines

Apart from specific risks relating to the SC6 Cadlao and the Cadlao Project generally, risks associated with operating in the Philippines are primarily as set out below. Generally, the financial performance of Peak and /or VenturOil may be influenced by the general political and peace and order situation in the country as well as the state of the Philippine economy, all of which are beyond Peak's control. Any actual incidence of, or a perception of political or economic instability may adversely affect Peak's business and financial performance. Members should understand that Peak and the parties involved in SC6 Cadlao are governed in the Philippines by a legal and regulatory system which, in some respects, may differ from that which prevails in other countries.

Specific country risks include:

(a) Laws, regulations, and contingencies adding to the cost and effort of doing business

The petroleum industry is highly regulated. In addition to complying with laws and regulations on doing business in the Philippines, the nature of the business carried out by Peak, VenturOil and Cadco subjects them to laws and regulations for the oil and gas industry, environment protection, and occupational health and safety. Despite efforts to comply with all such laws and regulations, each of their business activities may be exposed to significant liabilities and restrictions due to accidents and unforeseen circumstances, which may specifically impact on Peak. Furthermore, such laws and regulations are subject to changes, which may result in delays or restrictions on exploration, development or production activities as well as increased cost of compliance. There is no assurance that these changes will not have a material adverse direct or indirect effect on Peak's business and results of operations.

(b) Economic risk factors

Peak's business prospects and performance will largely depend on factors such as inflation, interest rates, foreign exchange rates, taxation, changes in legislation, and other economic factors that are beyond the Peak's control. A slowdown in economic growth in the Philippines could materially and adversely affect Peak and its business.

Exchange rate risk refers to the danger that an unexpected change in the exchange rate between the domestic currency and the currency in which a project's cash flows are denominated can reduce the market value of that project's cash flow. Peak's obligations and rights are denominated in US Dollars. Any unexpected appreciation of the Peso relative to the US Dollar may cause the value of the Projects to decline to the extent that costs and expenses are incurred in Pesos. There can be no assurance that: (a) the Philippine Peso will not be subject to continued appreciation or volatility; (b) the current exchange rate policy will remain the same; (c) the Government will act when necessary to stabilize the value of the Peso, or that any such action, if taken, will be successful.

Tax risk is defined as the uncertainty that the Government will make unfavourable changes in tax laws. The greater the potential impact of tax law changes on the return of a given security, the greater its tax risk.

Undesirable tax law changes include elimination of tax-exempt status, limitation or elimination of tax deductions, and increases in tax rates. By reducing the tax benefits of investments, the Government can increase its tax revenues at the expense of investors who realize lower after-tax returns and investment values.

Any deterioration in economic conditions in the Philippines as a result of these or other factors, including a significant appreciation of the Philippine Peso or increase in interest rates, may have a materially adverse effect on the Company's business, financial condition, and results of operation.

(c) Political risk factors

Peak's operations and financial performance will largely depend on the political and social stability of the Philippines. Any incidence or a perception of political and/or social instability could have a negative effect on Peak's financial results and operations and those of Cadco and VenturOil.

The Philippines has from time to time experienced political and military instability. No assurance can be given that the political environment in the Philippines will remain stable and any political or social instability in the future could result in inconsistent or sudden changes in regulations and policies that affect the Company or its partners, which could have an adverse effect on the Company's business, results of operations, and financial condition.

Since the election of President Benigno S. Aquino III on May 10, 2010, the country has since been experiencing stable economic conditions due to strong fundamentals. However, there is no assurance that the same will continue. Any potential instability could have an adverse effect on the Philippine economy, the Company's business, and the Company's results of operations and financial condition.

(d) Risks related to terrorist and insurgent groups' activities in the Philippines

There is continuing concern over the proliferation of radical Islamic terrorist groups throughout the Philippines, which may present a potential security threat to regions relevant to the Company's exploration and production interests. Although previously confined to the Zamboanga area in Mindanao, activity has spread to the island of Palawan, potentially endangering the oil and gas sector in the Philippines. Well-known insurgent organizations in the Philippines include the Moro National Liberation Front (MNLF), the Moro Islamic Liberation Front (MILF), the New People's Army (NPA) and the Abu Sayyaf Group (ASG). Similar to the most recent crisis in Zamboanga between government troops and the MNLF, any potential terrorist attack or compromise of security could have an adverse effect on the Philippine economy, Peak's business and that of each of VenturOil and Cadco and have a direct or indirect adverse effect on Peak's operations and financial position.

(e) Risks related to activities of environmentalist groups

Although not regarded as being as prevalent or as much of an issue as in the mining industry, there are still concerns on potential interference by organized civil groups with operations of oil and gas companies. There is a certain degree of environmentalist sentiment in the Philippines, brought about mainly by the country's past and highly-publicized episodes of community destruction and environmental degradation resulting from mining operations. This is especially true in less developed regions where there are anti-mining advocacies of groups such as Local Government Units (LGUs), non-governmental organizations, environmental groups, communist separatists, other militant groups, and even the Catholic Church. The methods may vary from peaceful protests to local bans on mining operations. There have also been sporadic acts of violence, including the destruction of equipment and infliction of bodily harm.

(f) Risks related to the occurrence of natural catastrophes or blackouts

The Philippines has experienced a number of major natural catastrophes in recent years including typhoons, floods, volcanic eruptions, earthquakes, mudslides, and droughts. Natural catastrophes may disrupt the Company's ability to deliver its services and impair the economic conditions in the affected areas, as well as the overall Philippine economy

The Philippines has also experienced power outages from power generation shortages and transmission problems, and from disruptions such as typhoons and floods. These types of events may materially disrupt and adversely affect business and operations. Peak cannot assure Members that adequate or any insurance cover will be taken out by any Cadlao Project Operator or that if insurance is taken out, that it will adequately compensate the parties involved in the Cadlao Project for any damages and economic losses resulting from natural catastrophes or blackouts, including possible business interruptions.

(g) Risks related to foreign exchange controls

Currently, the Philippines has liberal foreign exchange controls. The BSP has statutory authority with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to:

- (i) Suspend temporarily or restrict sales of foreign exchange;
- (ii) Require licensing of foreign exchange transactions ;or
- (iii) Require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency- denominated borrowings.

(h) Compliance with laws and regulations, failing which the Company may lose its contracts, licenses, and approvals from the Government

Substantially all of Peak's revenues are or will be derived from SC6 Cadlao, Cadlao Project operations may be restricted, suspended or terminated if the contractual obligations under SC6 Cadlao, and the rules and regulations governing SC6 Cadlao are not complied with, In this respect the Contractor under SC6 Cadlao is not presently compliant with the work program requirements of SC6 Cadlao as referred to herein and some risk must exist that SC6 Cadlao could be cancelled as previously referred to.

Specific Risks Associated with Operating in Indonesia

The South Block A Project is located onshore in Indonesia. Accordingly, Peak is subject to the risks associated with operating in Indonesia. Such risks can include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local residents or contractors or require other benefits to be provided to local residents.

In the case of Indonesia, these risks may be enhanced by the current imbroglio between Australia and Indonesia relating to the alleged spying activities of the Australian government on Indonesia and in particular, on the Indonesian president by phone tapping. The extent to which this political dispute affects ongoing commercial relationships cannot be known at this stage.

Specific Risks associated with operating in Indonesia and the South Block A Project include:

(a) Regulatory Risks

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies in the country in which the Company operates and may operate may adversely affect the financial performance of the Company.

(a) Government licences and approvals

The South Block A Project and the Joint Study Areas are located in the Republic of Indonesia. Any government action concerning the economy, including the oil and gas industry (such as a change in oil or gas pricing policy or taxation rules or practice, or renegotiation or nullification of existing concessions and concession contracts) in that region could have a material adverse effect on the Company. In particular, likely timing for the process for environmental approvals for the South Block A Project or the Joint Study Applications (subject to the award of a joint study and PSC, in the event the Company makes a bid for a PSC) is uncertain and may take longer than is advantageous to the Company.

Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and site safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to petroleum rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Outcomes in courts in Indonesia may be less predictable than in Australia, which could affect the enforceability of contracts entered into in respect of the South Block A Project and the Joint Study Applications.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

(b) Interpretation and Application of Laws and Regulations

Outcomes in courts in Indonesia may be less predictable than in more established economies. The effect of lengthy court cases over simple issues when outcomes are not clearly defined and regulations and laws lack clear definition, can result in excessive delays in the legal process for resolving issues or disputes.

Of particular relevance in this context is that, on 13 November 2012, the Indonesian Constitutional Court handed down Decision No. 36/PUU-X/2012 (“Decision 36/2012”), which declared several articles in Law 22 of 2001 pertaining to the establishment and functions of BPMIGAS to be unconstitutional and unenforceable. In its deliberations, the Indonesian Constitutional Court concluded that the Indonesian Government should directly manage oil and gas resources, as opposed to only performing supervisory duties through BPMIGAS.

Upon the announcement of Decision 36/2012, BPMIGAS ceased to exist. To avoid legal uncertainty with respect to ongoing oil and gas business activities, the Indonesian Constitutional Court made clear, in Decision 36/2012, that pending the promulgation of further regulations and amendments to Law 22 of 2001, the functions and duties formerly performed by BPMIGAS were to be taken over by the Indonesian Government, represented by the Ministry of Energy and Mineral Resources (“**MoEMR**”). The Indonesian Constitutional Court also stated that all PSCs executed by BPMIGAS would remain valid until their respective expiration dates or as agreed by the parties. Since the issuance of Decision 36/2012, the Indonesian Government has authorized SKKMIGAS, pursuant to PR 9/2013, to take over the former functions and duties of BPMIGAS. There can be no assurance, however, that PR 9/2013, the establishment of SKKMIGAS, or any future amendments to Law 22 of 2001 or its implementing regulations, will not be the subject of further challenges.

(c) Regional Autonomy

Laws and regulations have changed the regulatory environment by decentralizing certain regulatory and other authority from the central Indonesian Government to regional governments, a process that is ongoing. There is the potential for regional governments to demand greater than is their right as set out between the central Indonesian Government and the regional governments. The implementation of such regulations has resulted in uncertainty despite the efforts in the regulatory sector to curb overreaching by regional governments. The regional governments are now involving themselves directly in negotiations with PSC operators, both current and pending and will likely influence award and extension outcomes for PSC’s into the future.

The impact of such extension of authority to regional governments, whether legal or implied, could potentially delay awards and extensions, increase costs of operations and delay exploration and/or development, decrease equity positions in contract areas by requirements to partner with regional governments either directly or indirectly, within Indonesian contract areas, which collectively or individually could materially and adversely affect the Company’s acquisitions, growth, timing of transactions, and costs of operations.

The Company recognizes the change in politics as a result of the decentralization of certain regulatory and other authority from the central Indonesian Government and the implications in pursuing opportunities; however the Company acknowledges the complexities this new level of regulation imposes and the risks associated.

(d) Joint Venture Partners, Contractors and Contractual Disputes

The South Block A Project currently operates in conjunction other third parties, including joint venture parties, suppliers, contractors and other service providers. With respect to this issue, Peak is unable to predict the risk of any financial failure or default by any of the participants in the SBA JVOA or in the SBA Shareholders Agreement, the consequences of any managerial failure by any of the contractors or suppliers to the South Block Joint Venture. Accordingly, there is a risk that exploration, development and future production activity could be disrupted in situations where there is a disagreement on exploration, development or future production programs or other issues as between the Company and other third parties. Should such disagreements occur, this may have a deleterious impact on the Company’s operations and performance generally. It is not possible for the Company to predict or protect itself against all such risks.

Peak may be unable to obtain environmental/government approvals Peak’s exploration and development programs will, in general, be subject to approval by various government departments responsible for oil and gas exploration and development in each of the countries in which it operates. There is a risk that these approvals may not be forthcoming, either at all or in a timely manner, or that they may not be able to be obtained on terms acceptable to Peak. While Peak can reasonably believe that all requisite approvals will be forthcoming, and whilst Peak’s obligations for expenditure will be predicated on any requisite approvals being obtained, Applicants

should be aware that Peak cannot guarantee that any or all requisite approvals will be obtained. A failure to obtain any approval would mean that the ability of Peak to participate in or develop any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

Title and permit risks. Each permit or licence held by Peak is issued for a specific term and carries with it work commitments and reporting obligations, as well as other conditions requiring compliance. Consequently, Peak could lose title to, or its interests in, one or more permits if conditions are not met or if sufficient funds are not available to meet work commitments. Any failure to comply with the work commitments or other conditions on which a permit is held exposes the permit to forfeiture. If sufficient work is not carried out as is required, then those permits could be cancelled, without compensation.

Whilst SC6 Cadlao has been formally extended to 2024, the Philippines government has noted that a failure of the joint venture parties to fulfil their work program obligations may result in a withdrawal of that extension and cancellation of the permit.

Environmental regulations and bonds Peak's operations are subject to the environmental risks inherent in the oil and natural gas industry. Peak will be subject to environmental laws and regulations in connection with its operations. Although Peak will strive to comply in all material respects with all applicable environmental laws and regulations, there are certain risks inherent in its activities that could subject Peak to extensive liability. There can be no assurance that new environmental laws, regulations or stricter enforcement policies, if implemented, will not oblige Peak to incur significant expense and undertake significant investment and which could have a material adverse effect on Peak's business, financial conditions and results of operations.

Relevant government departments from time to time review the environmental bonds that are placed on tenements. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of Peak.

Exploration costs The exploration costs of Peak are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect Peak's viability.

Oil and gas price and exchange rate fluctuations The US currency denominated revenue derived through the sale of oil and gas exposes the potential income of Peak to oil and gas price and exchange rate risks. Oil and gas prices fluctuate and are affected by numerous factors beyond the control of Peak. These factors include worldwide supply and demand for oil and gas, forward selling by producers and production costs in major oil and gas-producing regions. Moreover, oil and gas prices are also affected by macroeconomic factors such as expectations regarding inflation and interest rates.

Furthermore, the international price of oil and gas is denominated in United States dollars, exposing Peak to the fluctuations and volatility of the rates of exchange between the United States dollar and other relevant currencies. Movements in the US currency exchange rate, as well as other exchange rates, has the potential to impact both Peak's revenues and expenses, and thereby materially affect Peak's financial performance.

Exposure to liabilities associated with past activities in respect of acquired assets Peak has various agreements to earn interests in permits that have had previous exploration and development activities undertaken upon them. In these agreements Peak has generally received warranties and undertakings in relation to liabilities (known and unknown) that exist/may exist in relation to the past activities by the current and previous owners. Notwithstanding these warranties and undertakings Peak cannot guarantee that no liabilities will arise in the future from the past activities of the current and previous owners, not that Peak is adequately protected, nor that the contractual protections will respond to a particular circumstances either at all or to the full extent of a liability.

Peak may be unable to realise value from its projects The operations of Peak may be affected by various factors, including failure to achieve predicted grades/oil flows in exploration and production; operational and technical difficulties encountered in production; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having been only recently incorporated in 2009, Peak has a limited oil and gas exploration history, however it should be noted that the Company's Directors have between them significant oil and gas exploration and operational experience. No assurances can be given that Peak will achieve commercial viability through the

successful exploration and/or development of its permit interests. Until Peak is able to realise value from its projects, it is likely to incur ongoing operating losses.

Peak may not be able to secure insurance Peak intends to insure its operations in accordance with industry practice. However, insurance of all risks associated with oil and gas exploration and production may not be available at all, or may only be able to be obtained at an unacceptable cost, and so in certain circumstances the Company's insurance may not be of a nature or level to provide adequate coverage. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

A commercial return may not be achievable Even if Peak discovers commercial quantities of oil and gas, there is a risk Peak may not be able to exploit a discovery economically or a commercial return is not achieved. For example, Peak may not be able to transport the oil and gas at a reasonable cost or may not be able to sell the oil and gas to customers at a rate which would cover its operating and capital costs.

Resource estimates may be inaccurate Resource and reserves estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserves estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development plans which may, in turn, adversely affect Peak's operations.

The Company may not be able to secure additional capital when required The Company's capital requirements depend on numerous factors. Peak's primary near term expenditure obligations will arise in funding the balance of its share of the SBA seismic program and the drilling of an exploration well in Q2 2014. Funding obligations will also arise in respect of Peak's 16.25% interest in the Cadlao Redevelopment Project, assuming that the project proceeds. As discussed above the Cadlao funding is not required until spudding of the first well and the Proven Reserves will enable Peak to investigate a debt component to its capital mix. Successful redevelopment of the Cadlao oilfield will result in significant cash-flows which Peak intends to re-invest into Peak's portfolio of development and exploration assets as well as acquiring new exploration and development opportunities.

If the Rights Issue is fully subscribed then Peak will have sufficient funds to complete the SBA seismic operations currently underway and commence pre-drilling operations for the 2014 exploration well. If the Rights Issue is not fully subscribed and the Cadco \$6.5-\$7.0 million settlement is not received, Peak will need to investigate alternative funding strategies in order to have sufficient funds to meet its proportionate share of the costs of SBA exploration. These are matters about which it is impossible to make any forecast or assessment save to say that adequacy and availability of funding will, for the immediate, future remain a substantial issue for Peak and its Shareholders.

Subject to a resolution of the dispute with Cadco being resolved and any settlement agreement being fully implemented with Peak receiving approximately \$6.5 - \$7.0 million thereunder as presently being negotiated, and the Cadlao Project being financed and the Cadlao oilfield redevelopment therefore proceeding, Peak will be required to fund VenturOil's full 20% WI in the Cadlao Field which, on current capex estimates, is likely to be US\$9 – 12million. Peak will consider its preferred funding strategy once project kick-off has occurred. Clearly, any settlement sum would provide a strong base for this funding. Also, and whilst the debt markets are currently tight, the Cadlao Project's bankable reserves will enable Peak to investigate a debt component to its capital mix. However, it should be noted that Peak will, even in such circumstances have to fund the excess of any funding requirement above any moneys available to Peak for that purpose from any moneys received from Cadco. These funds will be required to be met from one or more of the following sources, namely further equity raisings, project borrowings (if feasible), sale of assets or, if the Merger has proceeded, from Octanex. No arrangements to secure that funding are, or can be, put in place at this stage.

If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs.

Apart from the above, Peak will, from time to time, likely need to raise additional capital to implement and advance its business plans and meet all work and planned and unexpected expenditure commitments on its permits. Any requirement to raise additional capital has two consequences for Applicants. First, it will result in their shareholding in Peak being diluted if they do not also take up any future entitlements they may have (assuming future share issues are pro rata). Secondly, if additional capital is not raised then various of Peak's operations may not be able to be funded and this may result in a decrease in value of Peak shares unless drilling success or other value enhancing corporate actions occur. In this context significant farm outs, partial sales of interests or corporate acquisitions may all have an impact on the value of the underlying assets of Peak and on

Peak's share price. The total amount of any capital that may be required to be raised in the future is not presently able to be ascertained.

Expenditure on permit operations will be dependent in part on the results of exploration activities from time to time, approval of work programs and budgets (by the Board and/or the relevant Joint Venturers) and available working capital. When required, further funds may be sought from a combination of sources which may include remaining working capital, farmouts, partial sale of Peak's interests and the proceeds of further share issues. If Peak fails to meet its expenditure obligations it would likely be in breach of the terms of the relevant joint venture. In the case of future field development capital expenditure, funding may need to be obtained via project loan facilities. The Directors consider it reasonable to anticipate that, if Peak achieves any significant level of success in its operations, Peak would be able to raise any funds necessary to fund its presently known and guaranteed work commitments.

Reliance on key personnel The responsibility of overseeing the day-to-day operations and the strategic management of Peak depends substantially on its senior management and its key personnel and their geological experience and expertise. There can be no assurance given that there will be no detrimental impact on Peak if one or more of these employees cease their employment with Peak.

Increase in drilling costs and availability of exploration and drilling equipment Increases in worldwide exploration and drilling activities may create cost pressures for services and skilled personnel in the oil and gas industry. Increases in the costs of exploration and development would affect Peak's ability to invest in projects, to purchase or hire equipment, supplies and services and to recruit skilled personnel. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of exploration and drilling activity around the world. An increase in exploration or drilling activity in Indonesia, the Philippines or in other areas in south east Asia and Australia may reduce the availability of equipment and services to Peak. The reduced availability of equipment, services and skilled personnel may delay Peak's planned exploration and development activities, which may adversely affect Peak operations and increase costs.

Risk of foreign operations Peak's operations will be undertaken in jurisdictions outside Australia where there may be a number of associated risks over which it will have no or limited control. These risks may include economic, social, or political instability or change, nationalisation, expropriation of property without fair compensation, cancellation or modification of contract rights, hyperinflation, currency non-convertibility or instability and changes of laws affecting foreign ownership, government participation, royalties, taxation, working conditions, foreign nationals work permits, rates of exchange, exchange control, exploration licensing, petroleum export licensing, export duties, government control over domestic oil and gas pricing, and other risks arising out of foreign governmental sovereignty, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections.

Peak's operations may also be adversely affected by laws and policies of Australia affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its operations, Peak may be subject to the exclusive jurisdiction of a foreign court or may not be successful in subjecting foreign persons to the jurisdiction of courts in Australia or enforcing Australian judgments in foreign jurisdictions.

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

Macro economic and political factors. Apart from exchange risks, there are a wide range of other macro economic and political factors beyond the control of Peak which will affect Peak's operations. These include the consequences of terrorist and other activities, which themselves impact adversely on the global economy, demand for commodities, particularly oil and gas, and share market conditions and share prices generally.

Contract risks. Peak operates through a series of contractual relationships with operators, technical experts, project managers and contractors generally. All contracts carry risks associated with the performance by the parties of their obligations as to time and quality of work performed. Given that Peak is in joint venture with various other parties and has, or may, enter into farm out agreements where its obligations are assumed by others, the incapacity of those joint venturers or farminees to meet contracted obligations would adversely affect Peak's capacity to carry out its own activities.

Litigation. Save for the litigation against Cadco as disclosed herein, Peak is presently not involved in litigation and the Directors are not aware of any basis on which any litigation against Peak may arise. However, there is always the risk that litigation may occur as a result of differing interpretations of obligations or outcomes.

Arbitration. Peak is currently engaged in a formal arbitration process with Cadco to resolve the dispute which has arisen over Cadco's purported early termination of the Cadlao Farmin Agreement relating to the Cadlao

Redevelopment Project. The parties have mutually agreed to suspend the arbitration to enable a commercial settlement to be negotiated. The settlement is well advanced but if the parties fail to reach a final agreement, then the arbitration may be restarted to resolve the dispute.

It is worth noting that should the arbitration be restarted, and the arbitrator find for Cadco, the likelihood is that Cadco would be eligible to exercise the buy-back option over Peak's 25% WI currently held on trust by Cadco which is a similar outcome that being currently negotiated.

Exploration and drilling risks. Petroleum exploration involves significant inherent risks in predicting the location and nature of potential petroleum accumulations in the sub-surface. Peak cannot give any assurance that its exploration program will result in the discovery of any accumulation of oil or gas, nor that any discovery will be commercially viable or recoverable. Risks in relation to drilling operations include break-downs, delays due to weather or sea conditions and shortages of critical equipment or materials. There are also the financial and environmental risks of drilling incidents such as blow-outs, fires and oil spills. Peak mitigates these risks via its safety and environmental policies, plans and procedures and will arrange appropriate insurances for particular risks. All of these risks may materially affect the cost of drilling or other operations and adversely impact on any outcome from those operations.

In the event that exploration and development programs prove to be unsuccessful, this will likely lead to: a diminution in the value of any of Peak's permits subject to such unsuccessful activities; a reduction in the cash reserves of Peak by virtue of the costs of such activities; possible increased difficulty in raising additional funds following any such unsuccessful activity (particularly drilling); and possible relinquishment of permits.

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

Production risks. Peak currently has no producing petroleum interests. It must also be understood that, while Peak has certified reserves in the Cadlao oilfield and this is considered by the Board to be a comparatively low risk development, no assurance can be given that Peak will achieve production from Cadlao. Further, while there may be indications of the potential for hydrocarbons to be present within Peak's SBA permit, no formal reserves have been defined or measured within the permit. Therefore, there can be no assurance given that Peak will achieve production from SBA.

The capacity of Peak to achieve production will depend on a wide range of factors in addition to a successful exploration outcome. These factors include (but are not limited to) development decisions, capital costs and operating costs that may be applicable to the individual projects and the capacity of Peak to fund those costs. If production is achieved then unanticipated problems may increase extraction costs and reduce anticipated recovery rates. In some cases, increases in costs, whether in conjunction with falling oil and gas prices or otherwise, may result in the discovery of a hydrocarbon accumulation not being commercial or ceasing to be commercial.

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

Climatic and geographic risks. Local weather conditions can have adverse effects on the ability to operate. Peak's SC6 Cadlao permit is situated in an offshore area of the Philippines which is prone to typhoons and monsoons which can cause interruptions to operations.

Section 7 GENERAL MATTERS

This Section sets out information relating to a variety of matters which are relevant to your decision to take up your Rights. They include detailed information relating to the rights attaching Shares in the Company.

1. RIGHTS AND LIABILITIES ATTACHING TO SHARES IN THE COMPANY

The Peak Shares to be issued and allotted under this Rights Issue will be ordinary shares each of which will be fully paid-up. All ordinary shares on issue rank equally with all other ordinary shares on issue from time to time. A summary of the more significant rights attaching to ordinary shares is set out below. This summary is not exhaustive, nor does it constitute a definite statement of the rights and liabilities of the Shareholders. To obtain such a statement, Applicants should seek independent legal advice.

Ranking: All shares in the capital of the company are ordinary shares and each ordinary share ranks equally in all respects with all other existing ordinary shares in the Company.

Reports and Notices: Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to Shareholders under the constitution of the Company (“the Constitution”) and the Act.

General Meetings: Shareholders are entitled to be present in person or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Shareholders may requisition general meetings in accordance with the Act and the Constitution.

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

A Shareholder who holds a share that is not fully paid shall be entitled to a fraction of a vote equal to the proportion that the amount paid-up bears to the total issue price of the share. The Company does not have any partly paid shares on issue.

Where the Shareholder is a company, the Constitution requires that directors of companies that have a sole director and a sole company secretary must state this when completing documents such as a proxy, appointment of corporate representative or power of attorney.

Dividends: The Directors may declare and authorise the distribution, from the profits of the Company, of dividends to be distributed to Shareholders according to their rights and interests.

Reduction of Capital: The Company may only reduce its capital in such manner as may be permitted by the provisions of the Act from time to time.

Borrowing and Lending Powers: The Company may borrow and lend in such manner as may be permitted by the provisions of the Act from time to time.

Winding Up: Shareholders will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.

Transfer of Shares: Subject to the Constitution, the Listing Rules and the Act, the shares will be freely transferable.

Future Increases in Capital: The allotment and issue of shares is under the control of the Directors. Subject to restrictions on the allotment of shares to Directors or their Associates contained in the Constitution and the Act, and subject to the provisions of the Underwriting Agreement in relation to issues of securities in the six month period from the completion of this Rights Issue, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

Variation of Rights: The rights, privileges and restrictions attaching to ordinary shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote at that meeting or with the written consent of the holders of at least three-quarters of the ordinary shares on issue, within two months of that general meeting.

Directors: The Constitution contains provisions relating to the rotation of Directors (other than managing directors and alternate directors).

2. SBA SHAREHOLDERS AGREEMENT

Peak, by a Shareholders Agreement entered into on 4 March 2010 between POGA, Renco Elang Energy Pte Ltd (“**REE**”), Pt. Realto Energi Nusantara Corelesi and Elang Energy Inc (“Elang”) (“**SBA Shareholders Agreement**”), has the right to acquire a 75% shareholding in REE and thereby become entitled to earn an indirect effective interest 38.25% interest in a Production Sharing Contract (“**the Contract**”) dated 5 May 2009 entered into between Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (“**BPMIGAS**”) (now Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (“**SKKMIGAS**”)) and various parties defined therein as Contractor, with respect to South Block A Contract Area (“**South Block A**”) on terms set out in the Low Offer Doc

The SBA Shareholders Agreement regulates the relationship of Peak to the other shareholders in REE and sets out Peak’s funding obligations in relation to REE’s acquisition of an undivided 51% interest in South Block B and Peak’s right to acquire 75% of the shares in REE, thus giving it a derivative 38.25% indirect interest in South Block A.

At this time Peak’s primary funding obligation is clause 9.2 of the agreement under which Peak is responsible for sole funding of cash calls made by the directors of REE for all Expenditure obligations of REE under the South Block Operating Agreement in Years 1 and 2 in relation to seismic acquisition and associated G&G activities approved by BPMIGAS. The funding obligation is up to the Farm In Cap which is US\$3,600,000.

In the course of Peak satisfying such obligation, Peak earns the right at the end of each quarter during that year 1 and year 2 to have New Shares issued to it on account of its entitlement to acquire 75% of the issued shares in REE.

On Peak satisfying that obligation, Peak earns the right to have new Shares issued to it such that at the end of Year 3 or upon having funded an aggregate sum equal to the Farm In Cap, whichever first occurs, the number of new Shares shall be calculated so that following their issue and allotment to Peak, Peak shall hold 75% of all shares in REE.

Subsequent thereto, if Peak has funded Exploration Costs up to an amount equal to the Farm In Cap but the exploration well to be drilled in Year 3 under the SBA PSC has not been drilled and completed Peak agrees to provide further funding assistance to RENCO and Elang by contributing:

- (a) for exploration well costs which cause REE to have to contribute up to US\$1,000,000 beyond the Farm In Cap, 50% of RENCO’s and Elang’s collective 25% share of such costs (which would be US\$125,000) and ;
- (b) for exploration well costs which cause REE to have to contribute up to an additional US\$1,000,000 above the amount in (a), 25% of RENCO’s and Elang’s collective 25% share of such costs (which would be US\$62,500).

These moneys are to be made by way of loan and do not confer any right to additional shares in REE and are only applicable to the exploration well specified in year 3 of the SBA PSC work Program.

3. SOUTH BLOCK A JOINT VENTURE AGREEMENT

REE and PT Prosys Oil & Gas Limited (“**PROSYS**”) entered into a Joint Operating Agreement on 20 June 2012 governing Joint Operations under the Contract (“**SBA JVOA**”). By an Assignment Agreement made 20 June 2012 between PROSYS, REE and KRX Energy (SBA) Pte Ltd (“**KRX**”) registered number Reg 506/2012 registered on 4 July 2012 and by an Assumption Deed between the same parties made concurrent therewith and registered on the same date number 505/2012, KRX became a party to the SBA JVOA.

REE is Operator under the SBA JVOA.

The SBA JVOA governs operations within South Block A.

Those Operations are, at this stage, the Operations described in Section 3 which are to be funded by Cash Calls to be made by REE in its capacity as Operator on each of the Parties to the SBA JVOA, namely PROSYS, KRX and REE in its capacity as a party to the SBA JVOA. It is the Cash Calls (as defined in the SBA JVOA that Peak is required to fund on the terms and in the amounts described in the SBA Shareholders Agreement, the funding of which is the rationale for the Rights Issue and the Underwriting thereof by Octanex as Underwriter.

The SBA JVOA is in comparatively standard form. However, two aspects bear mention.

The first is related to REE's role of Operator. The following clauses are relevant.

Under Article 4.9, REE may resign as Operator by giving 120 days notice prior to the effective date of resignation.

Under Article 4.10(A), REE can be removed as Operator upon notice from any Non-Operator in the following circumstances:

- (i) An order is made by a court or an or an effective resolution is passed for its reorganization under any bankruptcy law, dissolution, liquidation, or winding up.
- (ii) if it is dissolved, liquidated, wound up, or otherwise terminates its existence.
- (iii) if it becomes insolvent, bankrupt or makes an assignment for the benefit of creditors.
- (iv) if a receiver is appointed for a substantial part of its assets.
- (v) if it assigns or purports to assign its power or responsibilities, supervision or management as Operator to any entity (other than to one of its Affiliates) without the consent of the Operating Committee.

Under Article 4.10(A), REE can be removed as Operator by a decision of the Non-Operators if, essentially, it commits a material breach of the SBA JVOA or has materially failed to conduct Joint Operations in accordance with the standards required of it and fails to commence to cure the breach or commence Operations in accordance the standards required of it within 30 days of receipt of a notice setting out the breach or failure to conduct Operations to the requisite standard.

The second is default in its capacity as a party to the SBA JVOA.

Where a party becomes in default under the SBA JVOA, by failing to pay when due its share of Joint Account Expenses, then it becomes a "*Defaulting Party*" within the meaning of Article 8.1 of the SBA JVOA. If REE were such a Defaulting Party then, any other party can give it a "*Default Notice*" as referred to in Article 8.1 of the JOA.

The Joint Venture is presently in the "*Exploration Period*" of the joint venture and, under Article 8.4(D), If REE was in default and failed to remedy its default by the 30th Day following the date of the Default Notice, then, without prejudice to any other rights available to any Non-Defaulting Party, REE could be required by any non-defaulting party to withdraw from the SBA JVOA and transfer its interest in the Contract to the non-defaulting parties.

These matters are outlined because they are relevant to an understanding of the provisions of the Underwriting set out in 6(d) and (e) below.

If there was an event of default by REE, because of a failure of Peak to provide funds to REE under the SBA Shareholders Agreement, which resulted from the failure of the Rights Issue, that could have the effect of causing REE to lose its interest in the SBA JVOA and the Contract.

At this stage the South Block A joint venture is in the exploration stage and has commenced to carry out seismic programs under the Contract.

4. VENTUROIL SHAREHOLDERS AGREEMENT

Peak has an indirect interest in SC 6 Cadlao through the holding of a subsidiary, Energy Best Limited ("EBL") in VenturOil Philippines Inc. ("VenturOil").

That interest is being earned by EBL, and indirectly Peak, funding 100% of VenturOil's 20% interest in SC6 Cadlao. By funding that cost EBL has the right to acquire a direct 5% interest in SC 6 Cadlao and an indirect interest in 75% of the remaining 15% interest that VenturOil would retain in SC6 Cadlao after transfer of the 5% interest giving it a right to a further 11.25% which, with the 5%, totals an interest of 16.25%.

However, to achieve this outcome EBL must fund, by way of loan, the full amount required for VenturOil to meet its obligations in respect of its 20% Participating interest in SC 6 Cadlao.

5. FARM-IN AGREEMENT (CADLAO)

Blade Petroleum Limited (Blade), Cadlao Development Company Limited (“Cadco”), formerly Blade Petroleum Philippines Limited, Peak and Peak Philippines are parties to an Acquisition and Farm-in Agreement (Cadlao Farmin Agreement) dated 11 October 2010 (as subsequently amended and restated on 23 December 2010) pursuant to which Peak Philippines has the right, subject to certain conditions outlined below, to acquire a 50% interest in production sharing Service Contract 6 (Cadlao) with the Philippines government (SC6 Cadlao) which pertains to an area in North West Palawan in the Philippines (refer to Section 1.5(b) for further details of location).

Cadco is the legal and beneficial owner of an 80% participating interest in SC6 Cadlao, with the residual 20% interest being held by VenturOil (Philippines) Inc. (VenturOil). Cadco is currently the operator under SC6 Cadlao.

Acquisition of Initial Interest

In consideration of payments to Cadco, the acquisition of certain overriding royalties and satisfactorily progressing the Cadlao Project, Peak Philippines became entitled to a 25% participating interest in SC6 Cadlao (Initial Interest) which is presently held in trust for it by Cadco.

However, Peak may not seek to have its Initial Interest registered with the DOE until Peak has satisfied the project funding condition precedent described below.

Acquisition of Cadlao Farmin Interest

The Cadlao Farmin Agreement contemplated that Cadco would assign to Peak Philippines a further 25% participating interest in SC6 Cadlao (Farm-in Interest) resulting in Peak Philippines having a 50% undivided interest in SC6 Cadlao with Cadco retaining an undivided 30% participating interest in SC6 Cadlao (Cadco Interest).

The assignment of the Farmin Interest was subject to a number of conditions precedent including Peak Philippines securing funding for an amount not less than the amount required to fund the first phase (extended well test) of the work program for the Cadlao Redevelopment Project on or before 30 June 2011 or such later date as may be agreed by Cadco (Project Funding Date).

This condition precedent was not satisfied by 30 June 2011 and no agreement was reached with Cadco on an extended Project Funding Date. In accordance with clause 16(c) of the Cadlao Farmin Agreement, Cadco then commenced action under clause 16.2(c) of the Cadlao Farmin Agreement to acquire Peak's initial 25% interest and, effectively, terminate the Farmin under which Peak can acquire the additional 25% Farmin Interest, by giving Peak a notice of intention to acquire those interests for the buy-back price, as defined in the Cadlao Farmin Agreement. That notice was given within the permitted 270 days under the clause. The buy-back price is effectively the same amount as is being negotiated with Cadco as the price at which Peak will transfer its interests on any settlement of the dispute being executed.

Following Cadco issuing its notice, Peak issued a written notice to Cadco and provided Cadco with documentary evidence which it asserts was sufficient to satisfy Cadco of the availability of funds in connection with the Project Funding. This notice was issued under clause 16.2 (iii) of the Cadlao Farmin Agreement and was issued within the permitted 30 days under that clause. By issuing that notice and providing that information, Peak obtained an effective 90 day extension in which to complete Project Funding with the “end date” by which such funding had to be secured being extended to 26 June 2012. Cadco subsequently issued a termination notice to Peak on 9 May 2012, before the expiry of the 90 day period and then issued proceedings in the Supreme Court of Western Australia to seek to have its purported termination validated.

On 25 June 2012, the Court ordered that the dispute be resolved through arbitration, in accordance with the requirements of the Cadlao Farmin Agreement and awarded Peak costs of the application.

Arbitration commenced in August 2012 but was then stayed at the request of both parties in November. The parties have rolled forward the stay request with the next hearing date scheduled for February 2014.

In summary, the arbitration will consider if Cadco had the right to terminate the Cadlao Farmin Agreement by the termination notice to Peak on 9 May 2012.

The arbitration will resolve the status of the dispute and may determine that the purported termination of the Cadlao Farmin Agreement was effective or otherwise.

It is not possible to speculate as to the full extent and nature of Peak's rights if the arbitration determines that Cadco improperly terminated the Cadlao Farmin Agreement, thus depriving Peak of the right to earn the Farmin Interest in addition to the Initial Interest.

It is Peak's intention to proceed, if possible, to execute and complete a settlement agreement with Cadco which will provide a like financial result to Peak as completion of a buy-back by Cadco.

If the result of the arbitration is to the effect that Cadco has the right to acquire Peak's Initial Interest (and terminate the Farmin), the Cadlao Farmin Agreement does not specify a date by which Cadco must exercise its buy-back rights. The best view is that Cadco would have a reasonable time in which to exercise those rights. What a reasonable period is would, ultimately, be subject to determination by an arbitrator in accordance with the Cadlao Farmin Agreement or by a court of competent jurisdiction.

At this stage it is not possible to pre-empt the outcome of the arbitration proceedings.

Insofar as the Cadlao Farmin Agreement is concerned, it is expressly provided by clause 16.2(c) that Cadco's "*sole and exclusive remedy for Peak's failure to comply with clause 16.1(a)*" (dealing with failure to procure Project Funding by the Project Funding Date) is the right to exercise the buy-back rights referred to for the Buy-Back Price as defined.

There are general restrictions on liability in the Cadlao Farmin Agreement but the limit on liability under the liability caps does not extend to any Loss "*caused or contributed to by any Gross Negligence/Wilful Misconduct of the Party against whom the Claim is made*".

It may be possible that a Court or arbitrator might find that, as the giving of the Termination Notice by Cadco when given was a deliberate Act, clearly and unambiguously given prior to the expiry of the 90 day period in which Peak had the right to provide Project Funding and preserve its interest in the Cadlao Farmin Agreement and thus preserve its right to earn the additional 25% Farmin Interest, that such notice was, by being given deliberately, given wilfully and that, by being given in circumstances where it was apparent on the face of the Cadlao Farmin Agreement that there was no right to serve the Notice, the giving of the notice constituted misconduct.

In *Forder v Great Western Railway* [1905] 2 K.B. 532, the Court held "*wilful misconduct involves a knowingly wrongful action*". In *National Semiconductors v UPS* [1996] 2 Lloyd's Rep. 212 the judge partially summarised wilful misconduct as meaning "*an intention to do something which the actor knows to be wrong.*" In *Re Young and Harston's Contract*, a decision of the Court of Appeal in 1885, Bowen LJ held that "*Wilful*", "*implies nothing blameable*" but merely means that the person acted as a free agent, that he knows what he is doing and that he intends to do what he is doing.

How an arbitrator or court would characterise what Peak considers to be an unjustified giving of the notice by Cadco and the termination or purported termination of the Cadlao Farmin Agreement is not a matter on which Peak can, at this time, express an opinion.

However, if a settlement agreement is not entered into and completed, it is possible that the dispute between the parties to the Cadlao Farmin Agreement will continue, in which case the question of liability arising on the part of Cadco for its conduct in apparent breach of the provisions of the Cadlao Farmin Agreement and the quantum of damages that might flow from that conduct will need to be considered.

At this stage no opinion is ventured as to these issues.

6. PROPOSED DEED OF TERMINATION AND RELEASE

The conflict over Peak's entitlements and rights under the Cadlao Farmin Agreement are proposed to be resolved by Peak and Cadco entering into a deed of termination and release. At this stage no agreement has been entered into.

This proposed agreement provides for Peak to sell its direct interests in the Cadlao Project that it derived or acquired under the Cadlao Farmin Agreement with Cadco and with Peak receiving payment of an Agreed Transfer Price in the order of \$6.5 - \$7.0 million.

The proposed agreement provides that, in exchange for the above payment, the Cadlao Farmin Agreement will be acknowledged to be terminated and cease to have any force or effect on or from completion.

On completion, Peak will cease to have a direct participating interest in Cadlao Service Contract SC6 Cadlao subject to its contractual right to the unpaid balance of the Agreed Transfer Price but, separately, will retain its 16.25% indirect interest through VenturOil.

All liabilities relating to the Cadlao Farmin Agreement will be extinguished and all outstanding disputes between Peak and Cadco will be resolved.

When the proposed settlement agreement is executed, a further detailed announcement will be made at that time so as to ensure the market is kept fully informed. That announcement will contain the full terms of the agreement. Members must realise that the proposed agreement has not yet been executed and that the presently proposed terms might change because of changes in circumstance or attitude of one or more of the parties thereto.

7. UNDERWRITING AGREEMENT

By an Underwriting Agreement made 23 December 2013 between the Company and Octanex, Octanex has underwritten the Rights Issue for the full amount thereof (the "Underwritten Amount") for an underwriting commission of 5% of the total amount raised pursuant to the Issue.

The Underwriter has expressly reserved the right to appoint sub-underwriters in relation to the whole or any part of the Underwritten Amount.

The primary provisions of the Underwriting Agreement are set out below. The provisions of the Underwriting Agreement do not contain many of the provisions common in many current enabling underwriters to avoid their underwriting obligation such as those related to changes in indices and changes in commodity prices. Additionally the Underwriting Agreement does not require the payment of a "management fee" or the issue or grant of options to the underwriter.

The provisions under which the Underwriter may avoid its underwriting obligation are narrowly focussed on the Peak's continued capacity to carry on business, the Rights Issue not being stopped, the maintenance of SC6Cadlao and continued compliance with both the VenturOil JVOA and the SBA Shareholders Agreement

Under the Underwriting Agreement the Company warrants that it is compliant with the requirements of the Act and that it is entitled to make the Rights Issue by way of a pro rata "Rights Issue" (as defined in section 9A of the Act) on a two for five basis under section 708AA of the Act without a prospectus as a low documentation offer not required to be lodged with the Australian Securities & Investments Commission ("ASIC") and that it is now, and will, at the time of despatch of the Rights Issue documentation, be compliant with the requirements of section 708AA(2) of the Act.

The underwriting agreement is unconditional, save that the Underwriter may terminate the underwriting and withdraw from its obligations thereunder on the occurrence any of the following events up to or on the Subscription Date, as defined below, namely, if:

- (a) ASIC makes any order or interim order under section 739 of the Corporations Act 2001 (to stop the issue of securities to which the Rights Issue relates) and such stop order is not withdrawn before the Subscription Date, or in the case of an interim stop order, such interim stop order expires before the Subscription Date without ASIC issuing a final stop order.
- (b) Any person (other than the Underwriter) who consented to being named in, or to the issue of, the Rights Issue documentation, withdraws that consent.
- (c) Peak;
 - (i) suspends payment of its debts generally;
 - (ii) becomes an externally-administered body corporate, or steps are taken by any person towards making it an externally-administered body corporate;

- (iii) has a controller (as defined in section 9 of the Corporations Act 2001) appointed of any of its property, or steps are taken for the appointment of such a person; or
 - (iv) is taken to have failed to comply with a statutory demand within the meaning of section 459F of the Corporations Act 2001
 - (v) is, or becomes, in breach of the provisions hereof.
- (d) The Department of Energy of the Philippines (“**DOE**”) shall cancel SC6 Cadlao, or the DOE gives notice of its intention to cancel SC6 Cadlao.
 - (e) SKKMIGAS shall exercise its right to give Contractor a Performance Deficiency Notice under clause 13.5 in Section XIII of the Contract or if either Contractor or SKKMIGAS shall give notice of cancellation of the Contract under clause 13.6 in Section XIII of the Contract.
 - (f) REE becomes a “*Defaulting Party*” within the meaning of clause 8.1(A) of Article VIII of the SBA JVOA and is given a “*Default Notice*” under that clause and fails to remedy its default before commencement of the “*Default Period*” as defined in Article 8.1(B) of Article VIII of the SBA JVOA.
 - (g) REE gives notice of resignation as Operator under the SBA JVOA or is removed as Operator under clause 4.10 of Article IV of the SBA JVOA or any of the events specified in clause 4.10(A) of Article IV occur in relation to REE.
 - (h) POGA exercises its right to under clause 9.3 to terminate the SBA Shareholders Agreement.
 - (i) REE resolves to issue shares in its capital, other than as provided in clauses 9.2 or 9.4 of the SBA Shareholders Agreement or as permitted under clause 12.6 thereof.
 - (j) POGA resolves to dispose of its shares in REE or any of them.

Within not less than five (5) business days after the Closing Date of the Rights Issue Peak must notify the Underwriter of its presumptive obligation under the Underwriting and of the amount of any shortfall between the total amount raised pursuant to the Rights Issue and the Underwritten Amount (“the Shortfall”) and within ten (10) business days after close of business on the date of such notification to the Underwriter, but subject to the Underwriter not having the right to terminate this Underwriting Agreement, whether or not it has been so terminated, the Underwriter shall lodge, or procure to be lodged with Peak, valid applications for the amount of the Shortfall with such applications being accompanied by the applicable subscription moneys the subject of each such application. The date on which the Underwriter lodges such applications is the “Subscription Date”.

Under the Underwriting Agreement Peak must pay:

- (k) all of the Underwriters costs and expenses in relation to the Underwriting Agreement and in relation to any act matter or thing done by the Underwriter hereunder in the event of any breach hereof by Peak or arising out of the termination thereof by the Underwriter;
- (l) all of the costs, charges and expenses relating to the Rights Issue including, without limitation all preparation costs, ASX Listing fees, share registry fees, legal fees, experts’ fees, advertising and publicity fees, printing costs and mailing costs.

No waiver or delay or granting of time or other indulgence by or on behalf of any Party entitled to enforce any obligation under the Underwriting Agreement shall prejudice or affect the right of that Party thereafter to enforce that obligation or to pursue any remedy which would but for such waiver, delay or granting of time or other indulgence have been available to it.

The Underwriting Agreement shall be governed by and construed in accordance with the laws of the State of Victoria and the Commonwealth of Australia.

8. PETROLEUM RESOURCE CLASSIFICATIONS

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth’s crust. Resource assessments estimate total quantities in known and yet-to-be discovered

accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulphide and sulphur. In rare cases, non-hydrocarbon content could be greater than 50%.

International efforts to standardize the definitions of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), the Society of Petroleum Engineers (SPE) published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide.

Since that time those organisations, working together, have upgraded and developed their methodologies for calculation and assessment of petroleum reserves and resources and that work is encompassed in the “*SPE Petroleum Management Resource System (PRMS)*” as defined in this document. These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation.

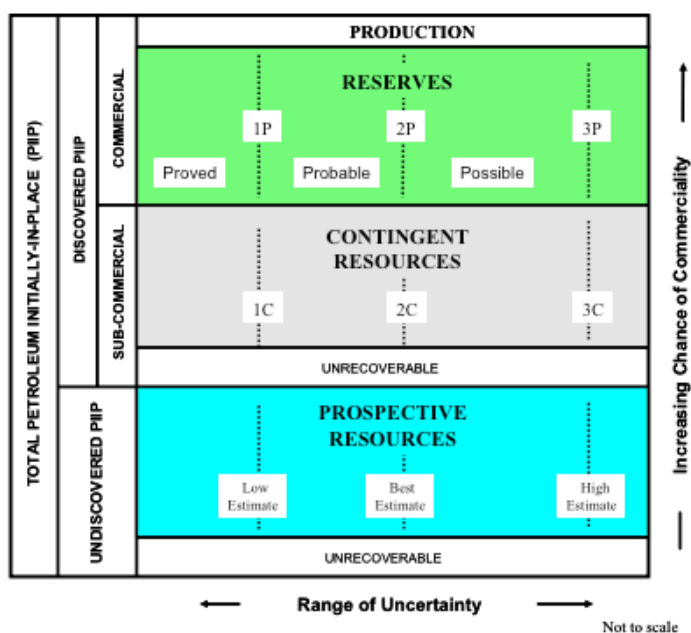
The definitions and guidelines in the “*SPE PRMS*” are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources

The estimation of petroleum resource quantities involves the interpretation of volumes and values that have an inherent degree of uncertainty. These quantities are associated with development projects at various stages of design and implementation.

The term “resources” as used in the SPE PRMS is stated therein by SPE to encompass all quantities of petroleum naturally occurring on or within the Earth’s crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered “conventional” or “unconventional.”

The Figure below is a graphical representation of the SPE resources classification system. The PRMS defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.

The “Range of Uncertainty” reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the “Chance of Commerciality, that is, the chance that the project will be developed and reach commercial producing status.



SPE Resources Classification System

NATURE OF RESERVES AND RESOURCES

Reserves

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.

Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame.

A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

The following summarizes the definitions for each Reserves category in terms of both the deterministic incremental approach and scenario approach and also provides the probability criteria if probabilistic methods are applied.

- Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
- Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
- Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Contingent Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. A known accumulation is a known individual body of moveable Petroleum. The key requirement to consider an accumulation as known, and hence contain reserves or contingent resources, is that each accumulation/reservoir must have been penetrated by a well. In general, the well must have clearly demonstrated the existence of moveable petroleum in that reservoir by flow to surface or at least some recovery of a sample of

petroleum from the well. However, where log and/or core data exist, this may suffice, provided there is a good analogy to a nearby and geologically comparable known accumulation.

Prospective Resources

“Prospective Resources” are “those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.”

Estimates of resources or reserves of any category rely on the integrity, skill, and judgment of the evaluator and are affected by the geological complexity, stage of exploration or development and amount of available data from which they are derived.

Any estimate of a resource is ultimately a matter of opinion and is subject to an inherent level of uncertainty and in the case of Prospective Resources, it should be recognised that, whilst PRMS provide for assessment on the basis of “Low Estimate”, “Best Estimate” and “High Estimate” there must always be the prospect that, as the definition refers to “undiscovered accumulations”, the “accumulation” might not exist, with the result that no actual resources are discovered.

Prospective Resources represent a higher risk than Contingent Resources since the risk of discovery is also added. For Prospective Resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared.

The PRMS state that the term “Best Estimate” is considered the most realistic assessment of recoverable quantities. If probabilistic methods are used, this term would generally be a measure of central tendency of the uncertainty distribution (most likely, median, P50 or mean).

P90, P50, P10

P10, P50 and P90 are probabilistic assessments. Where a reference to reserves is referred to as P90 there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate. Likewise a reference to P50 reflects an assessment that there is at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate. Finally a reference to P10 reflects an assessment that there is at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

For example, if a geologist estimates that there is a 90% chance that a particular field contains 100 million barrels but only a 10% chance that it will yield 500 million barrels, then the lower figure should be cited as the P90 estimate and the higher as the P10. The “best” choice of estimate to use is P50 as a 50% estimate is just as likely to be higher than lower than the estimate.

Statement of a Qualified Petroleum Reserves and Resources Evaluator

Information in this Rights Issue document that relates to Hydrocarbon prospective resources and reserves is based on information reviewed by Mr Jim Durrant, Director of Peak. Mr Durrant is a full-time employee of Peak who has consented to the inclusion of that information in the form and context in which it appears. Mr Durrant has over 30 years experience in the oil and gas industry including 15 years estimating reserves and resources and is a member of the American Association of Petroleum Geologists (AAPG); Australian Petroleum Production and Exploration Association (APPEA Honorary Life Member), the Society Petroleum Engineers (SPE) and Petroleum Exploration Society of Australia (PESA).

Section 8 DEFINITIONS AND GLOSSARY

DEFINITIONS

Unless otherwise stated or unless inconsistent or repugnant with the context in which the term or expression is used, each of the following terms and expressions used in this Rights Issue document has the meaning set out below:

\$ or A\$:	means references to dollar amounts in Australian currency.
US\$:	means references to dollar amounts in United States of America currency.
Act or Corporations Act:	each means the <i>Corporations Act 2001</i> .
Allotment Date:	means the date on which Shares are allotted under this Rights Issue document.
Annual Report:	means the Annual Report of Raisama Energy Limited (now named Peak Oil & Gas Limited) for the financial period ended 30 June 2013.
Applicants:	means those Shareholders as at the Record Date applying for Shares under this Rights Issue.
Application:	means a completed Entitlement and Acceptance Form.
Application Money:	means the amount payable for Shares applied for under an Entitlement and Acceptance Form.
ASIC:	means the Australian Securities and Investments Commission.
Associates:	has the meaning given to that term in the Act.
ASX:	means ASX Limited.
AWST	means Australian Western Standard Time
Board or Directors:	means the board of directors of Peak acting in that capacity.
Business Day:	means those days which are Business Days under the Listing Rules.
Closing Date:	means 5:00pm AWST on 24 January 2014 subject to the Directors absolute right to extend that date.
Company or Peak:	means Peak Oil & Gas Limited (ABN 79 131 843 868).
Director:	means a director of the Company acting in that capacity.
Entitlement and Acceptance Form:	means the form accompanying this Rights Issue document setting out Shareholders entitlements to apply for Shares under this Rights Issue.
Entitlements	means a Member's pro rata entitlement or right to take up Shares under the Rights Issue in accordance with the terms and conditions hereof, excluding the right to apply for Shares forming part of the Shortfall.
Group:	when referring to any corporate entity means that entity and its controlled or subsidiary entities.
Issue Price:	means \$0.01 (1 cent) per Share.
Listing Rules:	means the Listing Rules of any prescribed exchange and as applicable means the Listing Rules of ASX as referred to in each context.
Member:	means a Shareholder of the Company
Offer:	means the offer for subscription of approximately 194,358,098 Shares pursuant to this Rights Issue document on the terms set out in this Rights Issue document.
Official Quotation:	means quotation by ASX on the Official List of Companies maintained by ASX.
Opening Date:	means 9:00am AWST on 10 January 2014.
Rights	has the same meaning as Entitlements. Under this Rights Issue, because it is non renounceable, Rights are unable to be traded.
Rights Issue:	means the non-renounceable pro rata offer of new Shares being made to Shareholders under this Rights Issue document.
Rights Issue document:	means this Rights Issue document.
Shareholders:	means persons registered as the holders of Shares on the Record Date.
Shares:	means the ordinary shares in the capital of the Company and, where applicable the ordinary shares being offered for subscription pursuant to this Rights Issue
Shortfall Shares:	means those Shares not subscribed for by Members taking up or accepting their respective Entitlements or Rights under the Rights Issue Shortfall Shares are those Shares applied for by Members exercising their right to apply for Additional Shares as set out in the Entitlement and Acceptance Form and provided for in this Rights Issue document.
Stock Exchange:	means any stock exchange on which the securities of the Company may be quoted from time to time.

GLOSSARY OF TECHNICAL & INDUSTRY TERMS AND ABBREVIATIONS

2D seismic	seismic data collected on a two-dimensional basis.
3D seismic	seismic data collected on a three-dimensional basis.
basin:	a depression of large size in which sediments have accumulated.
bbl	barrel

exploration well:	a well drilled to determine if hydrocarbons are present in a particular structure.
hydrocarbons:	naturally occurring organic compounds containing only the elements hydrogen and carbon existing as solids, liquids or gases.
JOA or Joint Operating Agreement	means a formal agreement which governs the activities of the holders of a permit acting in Joint Venture in relation to that permit
km	kilometre(s).
km²	square kilometre.
lead:	inferred geologic feature or structural pattern requiring further investigation.
m	thousand
mm	million.
mmbbl	millions of barrels
mmcfd	millions of cubic feet per day
Operator:	the party in the Joint Venture charged with carrying out the exploration activities within that permit
petroleum:	a generic name for hydrocarbons, including crude oil, condensate, natural gas and their products.
prospect:	a feature thought to be sufficiently defined to warrant the drilling of a well without the necessity of further investigation.
pa	per annum.
permit:	is a permit in which the Company has an interest and within which either the Company solely or the relevant Joint Venture carries out exploration activity.
reservoir:	pervious and porous rocks (usually sandstone, limestone or dolomite) capable of containing significant quantities of hydrocarbons.
sediment:	solid material, whether mineral or organic, that has been moved from its position of origin and redeposited.
seal:	an impermeable rock (usually claystone or shale) that prevents the passage or further migration of hydrocarbons.
seismic survey:	a technique for determining the detailed structure of the rocks underlying a particular area by passing acoustic shock waves into the strata and detecting and measuring the reflected signals.
source rocks:	rocks (usually shales, claystone or coal) that have generated or are in the process of generating significant quantities of hydrocarbons.
spudding:	commencing the drilling of a well.
structure:	deformed sedimentary rocks where the configuration is such as to form a trap for migrating hydrocarbons.