

**GRP CORPORATION LIMITED  
(TO BE RENAMED CADY ENERGY LIMITED)  
ABN 57 096 781 716**

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**REPLACEMENT PROSPECTUS**

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For the offer of 35,000,000 Shares at \$0.20 each together with one (1) free attaching Option exercisable at \$0.20 on or before 30 September 2014 for every two (2) Shares issued to raise \$7,000,000 (**Offer**). Oversubscriptions of up to a further 15,000,000 Shares at \$0.20 each together with one (1) free attaching Option exercisable at \$0.20 on or before 30 September 2014 for every two (2) Shares issued to raise a further \$3,000,000 may be accepted.

The Offer includes a priority offer of up to 10,000,000 Shares together with up to 5,000,000 free attaching Options exercisable at \$0.20 on or before 30 September 2014 to Shareholders registered as at the Priority Offer Record Date to raise \$2,000,000 (**Priority Offer**).

**IMPORTANT INFORMATION**

**This Prospectus replaces the original prospectus dated 8 July 2011**

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

All references to the Securities in this Prospectus are made on the basis that the 1:20 Consolidation for which Shareholder approval was obtained at the Annual General Meeting held on 6 July 2011, has taken effect.

This is an important document that should be read in its entirety.

If you do not understand it you should consult your professional advisers without delay. The Securities offered by this Prospectus should be considered **highly** speculative.

## **CHANGE IN NATURE AND SCALE OF ACTIVITIES AND RE-COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES**

At the Annual General Meeting held on 6 July 2011, the Company obtained Shareholder approval for a change in nature and scale of its activities.

ASX requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company's securities will remain suspended from trading on ASX and will not be reinstated until satisfaction of the conditions to the Offer and ASX approving the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on the ASX. In the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Offer and will repay all application monies received.

### **IMPORTANT NOTICE**

This is a replacement prospectus dated 22 July 2011 which replaces a prospectus dated 8 July 2011. This replacement prospectus was lodged with the ASIC on 22 July 2011. For the purposes of this document, this replacement prospectus will be referred to as "this Prospectus".

The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date the original prospectus was lodged with the ASIC (**Expiry Date**). No securities may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered speculative.

### **RISK FACTORS**

Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus. For further information in relation to the risk

factors of the Company please refer to the summary in the Investment Overview Section and Section 9 of the Prospectus.

### **COMPETENT PERSON'S STATEMENT**

The information in Section 4 of this Prospectus that relates to Exploration Results, Gas Reserves is based on information reviewed and compiled by Mr Saxon Palmer a Proposed Director of the Company, who holds a Bachelor of Science with Honours in Geology from the Australian National University, has 25 years relevant experience and who is a member of the American Association of Petroleum Geologists. Mr Palmer has sufficient experience that is relevant to coal bed methane exploration and production to qualify as a Competent Person as defined in Chapter 5 of the ASX Listing Rules. Mr Palmer consents to the inclusion in the Prospectus of this information in the form and context in which it appears.

### **DIAGRAMS**

Diagrams in this Prospectus have been prepared by officers of the Company and are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

### **WEB SITE – ELECTRONIC PROSPECTUS**

A copy of this Prospectus can be downloaded from the website of the Company at [www.grpcorporation.com](http://www.grpcorporation.com). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

### **EXPOSURE PERIOD**

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

### **CONSOLIDATION**

**UNLESS STATED OTHERWISE, ALL REFERENCES TO SECURITIES OF THE COMPANY AS SET OUT IN THIS PROSPECTUS ARE ON THE BASIS THAT THE CONSOLIDATION (WHICH WAS APPROVED AT THE ANNUAL GENERAL MEETING) HAS OCCURRED.**

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## INVESTMENT OVERVIEW

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### Important Notice

This Section is not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

### The Offer

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#### Summary of the Offer

By this Prospectus, the Company offers for subscription 35,000,000 Shares at \$0.20 each together with one (1) free attaching Option exercisable at \$0.20 on or before 30 September 2014 for every two (2) Shares issued to raise \$7,000,000.

Oversubscriptions of up to a further 15,000,000 Shares at \$0.20 each together with one (1) free attaching Option exercisable at \$0.20 on or before 30 September 2014 for every two (2) Shares issued to raise a further \$3,000,000 may be accepted.

Therefore the maximum amount which may be raised under this Prospectus is \$10,000,000.

The Offer comprises a Priority Offer to Shareholders registered as at the Priority Offer Record Date as well as a Public Offer which is open to all other investors.

#### Priority Offer

The Company will offer 10,000,000 Shares (and 5,000,000 free attaching Options) (of the 35,000,000 Shares (and 17,500,000 free attaching Options) being offered under this Prospectus) in priority to Shareholders of the Company registered as at the Priority Offer Record Date (**Eligible Shareholders**).

The priority given to each Shareholder will be in respect of a minimum of 10,000 Shares (and 5,000 free attaching Options) for each Eligible Shareholder on a first-come, first-served basis (**Entitlement**). To the extent that any Eligible Shareholders apply for more than their Entitlement and there remains a balance of Securities out of the Priority Offer pool, the Company will at the Directors' and Proposed Directors' election allocate the balance to those Applicants.

To the extent that subscriptions from Eligible Shareholders under the Priority Offer exceed 10,000,000 Shares (and 5,000,000 free attaching Options), the Directors and Proposed Directors will treat such Applications for excess Shares (and free attaching Options) as Applications for Securities under the Public Offer.

The Directors and Proposed Directors retain absolute discretion when deciding whether or not to accept any particular Application in part or in full and will not be liable to any Eligible Shareholder who is not allocated Securities.

If any of the Securities available for Eligible Shareholders are not applied for by 5:00 pm on the Priority Offer Closing Date, those Securities will form part of the Public Offer.

All Shareholders may apply for Shares under the Public Offer.

#### Public Offer

The pool for the Public Offer will be 25,000,000 Shares (and 12,500,000 free attaching Options), plus any Securities not applied for by Shareholders under the Priority Offer plus oversubscriptions of up to a further 15,000,000 Shares (and 7,500,000 free attaching Options).

Applicants should note that the Directors and Proposed Directors retain an overriding right to do any of the following at their discretion in relation to the Public Offer:

- accept the Application in full;
- accept the Application in respect of a lesser number of Securities than applied for; or
- decline the Application.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Rights and liabilities attaching to the Shares and Options are summarised in the Section 11 of this Prospectus.

### Consolidation

Unless stated otherwise, all references to Securities of the Company as set out in this Prospectus are on the basis that the Consolidation (which was approved at the Annual General Meeting) has occurred.

### Indicative Timetable

Event	Date
Lodgement of original prospectus with the ASIC	8 July 2011
Lodgement of this replacement Prospectus with the ASIC	22 July 2011
Last date to register transfers on a pre-Consolidation basis	14 July 2011
Priority Offer and Public Offer Opening Date	30 July 2011
Closing Date for Priority Offer	5:00pm WST on 7 August 2011
Closing Date for Public Offer	5:00pm WST on 8 August 2011
Settlement of Acquisition	9 August 2011
Allotment of Securities under the Prospectus on a post-Consolidation basis	10 August 2011
Anticipated date the suspension is lifted and the Company's Securities re-commence trading on ASX (subject to satisfaction of Chapters 1 and 2 of the ASX Listing Rules).	15 August 2011

### Purpose of the Offer and Use of Proceeds

The purpose of the Offer is to meet the requirements of ASX and re-comply with Chapters 1 and 2 of the ASX Listing Rules and to provide additional funds to:

- (a) satisfy its initial obligations under the Kennedy Oil Agreement (refer to Section 10.2);
- (b) commence a detailed drilling and coring program at the Hanging Woman Project and assess potential production capabilities; and
- (c) review and evaluate possible acquisition opportunities in Wyoming, USA.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

It is intended to apply funds raised from the Offer in the two years after re-listing on ASX as follows (assuming the Offer is fully subscribed to raise \$7,000,000 or over-subscribed to raise \$10,000,000):

Item	Total Assuming Offer Fully Subscribed <sup>1</sup> (\$)	Total Assuming Offer Fully Over Subscribed <sup>2</sup> (\$)
Stage One – Reimbursement of past expenditure to Kennedy Vendors 3,5	2,000,000	2,000,000
Agreed First Year Work Programme <sup>6</sup>	1,000,000	1,000,000
Stage Two – Reimbursement of past expenditure to Kennedy Vendors <sup>4,5</sup>	1,900,000	1,900,000
Land Acquisition Costs	-	250,000
Further Drilling and Well Completion Costs <sup>7</sup>	200,000	2,500,000
Working Capital and Administration Costs <sup>8</sup>	1,600,000	1,900,000
Expenses of the Offer <sup>9</sup>	300,000	450,000
<b>Total <sup>5</sup></b>	<b>7,000,000</b>	<b>10,000,000</b>

**Notes:**

- <sup>1</sup> The minimum subscription under the Offer is the full subscription, being \$7,000,000.
- <sup>2</sup> The Company may accept oversubscriptions of up to a further \$3,000,000 above the minimum subscription, to raise a total of \$10,000,000.
- <sup>3</sup> This amount includes the Reimbursement Payment and Re-Admission Payment payable pursuant to the Kennedy Oil Agreement. Refer to Section 10.2 for a summary of the Kennedy Oil Agreement and further details of these payments.
- <sup>4</sup> This is the Title Transfer Payment payable pursuant to the Kennedy Oil Agreement (assuming the Kennedy Vendors elect to receive the Title Transfer Payment as a cash payment). Refer to Section 10.2 for a summary of the Kennedy Oil Agreement and further details of this payment.
- <sup>5</sup> Payments in the above table which are to be made in US dollars assume an exchange rate of AUD\$1 = US\$1.05.
- <sup>6</sup> These funds will be used to satisfy the obligations under Minimum Agreed First Year Work Program under the Kennedy Oil Agreement. This includes the drilling of 2 deep wells, one core analysis, working capital, land expansion and 7 Applications for Permits to Drill. Refer to the Solicitor's Report on the Hanging Woman Project contained in Section 8 and the summary of the Kennedy Oil Agreement contained in Section 10.2 of this Prospectus for further details
- <sup>7</sup> In the event the minimum subscription is raised (being \$7,000,000) pursuant to the Offer these funds will be used to drill 3 wells (in addition to those drilled under the Minimum Agreed First Year Work Program) and these wells will be drilled to shallow completion depth to continue the expansion of the Company's Drilling Program. In the event at least \$7,540,000 is raised pursuant to the Offer, the wells will be drilled to deep completion depth. Refer to the Solicitor's Report on the Hanging Woman Project contained in Section 8 of this Prospectus for further details.
- <sup>8</sup> Administration and working capital will include the costs of leasing office space, sundry costs such as share registry, ASX fees, executive and non-executive salaries and the salaries of any additional staff or consultants that may be retained by the Company in the future.
- <sup>9</sup> Refer below for further details of expenses of the Offer.

In the event that more than \$7,000,000 but less than \$10,000,000 is raised, the Company intends to allocate the funds firstly towards the expenses of the issue, secondly towards further drilling and well completion and land acquisition costs.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

## Capital Structure

The capital structure of the Company following completion of the Offer is summarised below

Shares	Number Assuming Offer Fully Subscribed <sup>4</sup>	Number Assuming Offer Fully Over Subscribed <sup>5</sup>
Shares on issue at date of Prospectus	10,060,672	10,060,672
Shares issued to Cady Vendors <sup>2</sup>	90,000,000	90,000,000
Shares now offered	35,000,000	50,000,000
<b>Total Shares on issue at completion of the Offer and Acquisition <sup>2</sup></b>	<b>135,060,672</b>	<b>150,060,672</b>

Options	Number Assuming Offer Fully Subscribed <sup>4</sup>	Number Assuming Offer Fully Over Subscribed <sup>5</sup>
Options on issue at date of Prospectus	Nil	Nil
Options issued to Cady Vendors <sup>4</sup>	11,250,000	11,250,000
Options now offered	17,500,000	25,000,000
<b>Total Options on issue at completion of the Offer and the Acquisition <sup>3</sup></b>	<b>28,750,000</b>	<b>36,250,000</b>

### Notes:

- <sup>1</sup> All figures above are on a post-Consolidation basis.
- <sup>2</sup> These Shares are to be issued to the Cady Vendors in part-Consideration for the acquisition of Cady Energy. Refer to Section 10.1 for further details of the Share Sale Agreement.
- <sup>3</sup> These Options are to be issued to the Cady Vendors in part-Consideration for the acquisition of Cady Energy. Refer to Section 10.1 for further details of the Share Sale Agreement.
- <sup>4</sup> The minimum subscription under the Offer is the full subscription, being \$7,000,000.
- <sup>5</sup> The Company may accept oversubscriptions of up to a further \$3,000,000 above the minimum subscription, to raise a total of \$10,000,000.
- <sup>6</sup> The above table does not contemplate the proposed placement of Shares to Stephen Quantrill and the Proposed Directors of up to a total of 2,500,000 Shares (and one (1) free attaching Option exercisable at \$0.20 on or before 30 September 2014 for every two (2) Shares issued) at an issue price of \$0.20 each to raise up to \$500,000 (**Proposed Director Placement**). Completion of the Proposed Director Placement will be subject to prior Shareholder approval to be sought at the next General Meeting of the Company. These funds will be applied to additional working capital.
- <sup>7</sup> The above table does not contemplate the proposed Loyalty Option entitlement issue. Refer to below for further information.

## Loyalty Option Issue

All Shareholders registered on the share register of the Company within approximately three months following the re-admission of the Company to the Official List of ASX (record date to be confirmed) will be entitled to participate in a proposed non-renounceable entitlements issue of options (**Loyalty Options**) on the basis of one Loyalty Option for every two Shares held at the record date. The Loyalty Options are to be issued free with an exercise price of \$0.20 and expiring 30 September 2014.

## **Restricted securities**

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Subject to the Company being re-admitted to the Official List, certain of the Securities on issue prior to the Offer and certain of the Shares issued on the exercise of the Options on issue prior to the Offer, are likely to be classified by ASX as restricted securities and will be required to be held in escrow.

## **Business Model – Exploration Company**

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The Company listed on ASX on 21 March 2003 with its main focus being property development. The Company has been suspended from trading on ASX since May 2008. The current Directors (other than Stephen Quantrill who was appointed on 7 July 2011) were each appointed on 4 November 2010.

In March 2011, the Company entered into an agreement to acquire all of the issued share capital of Cady Energy (**Acquisition**). Subject to successful completion of the Offer, on completion of the Acquisition each of the current Directors (other than Stephen Quantrill) will retire and the Proposed Directors will be appointed.

Completion of the Acquisition will result in a change in nature and scale of the Company's activities (refer below) and the Company will be focussed on oil and gas exploration.

Upon completion of the Acquisition, the Company will acquire the exclusive right to purchase 100% of the Hanging Woman Project in Wyoming. Accordingly, following completion, the Company's objective is to be an oil and gas exploration company.

Following acquisition of the the Hanging Woman Project, the Company will aim to drill further development wells at the Hanging Woman Project and will conduct coring and gas content testing which is expected to convert resources to reserves. Gas-gathering and watering handling infrastructure will be established to support new wells and de-watering of existing and new wells will take place to with the aim of advancing the potential development of the Project. The Company will also seek to add to its current leasehold position through the acquisition of further suitable leaseholds adjacent to and or in close proximity to the Hanging Woman Project as well as general project opportunities in the oil and gas sector.

The Company's ability to generate revenue in the future will depend upon the success of the Company's proposed exploration activities on the Hanging Woman Project and the Company's ability to successfully exploit any oil and gas that may be discovered on the land which is the subject of the Project.

Full details in respect of the Company and its right to the Project are set out in Section 4.

## **Change in Nature and Scale of Activities**

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As a result of the magnitude of the Company's proposed acquisition of Cady Energy and its rights to the Hanging Woman Project, it is required to obtain Shareholder approval for a change of nature and scale of activities and to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List. Shareholder approval to complete the Acquisition was obtained at the Annual General Meeting.

This Prospectus is issued to assist the Company to comply with these requirements.

## **Specific Risks**

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The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Securities of the Company.

The Company aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Company can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to.

<b>Risk Area</b>	<b>Risks</b>	<b>Further details</b>
Change in Nature and Scale of Activities	There is a risk that the Company may not be able to meet the requirements of the ASX for reinstatement to the Official List. Should this occur, the Securities offered under this Prospectus (and the Company's existing issued Shares) will not be able to be traded on the ASX until such time as those requirements can be met, if at all.	Section 9.2
Counterparty and Contract Risk	Following completion of the Acquisition, risk of non-compliance with the terms and conditions of the Kennedy Oil Agreement which could adversely affect the Company's ability to acquire its primary asset, being the Hanging Woman Project. If the Project is not acquired, unless an alternative project or asset is acquired by the Company, it will not satisfy the ongoing obligation under the Listing Rules to maintain a structure and level of operations appropriate for a listed entity. In these circumstances the Company would be suspended from quotation until an appropriate alternative project or asset is acquired.	Section 9.3
Requirements for Permits and Licences	<p>Following completion of the Acquisition and the Hanging Woman Project, the operations of the Company will require licences and permits and in some cases renewals of existing licences and permits from various governmental authorities.</p> <p>The failure of the Company to obtain, sustain or renew licences and permits on acceptable terms could adversely impact the Company's operations and its financial results</p> <p>In order to maintain the permits and leases, the Company will also be required to pay rentals and in order to extend a lease beyond its 10 year expiry date must drill on that lease.</p> <p>The failure of the Company to fund rental payments or undertake the required drilling programs may adversely affect the Company's interest in the Hanging Woman Project and its asset position.</p> <p>Further details of the rental payments, lease term and associated extensions are set out in the in the Solicitor's Report on the Hanging Woman Project contained in Section 8 of this Prospectus.</p>	Section 9.4
Offtake Infrastructure	Requirement to negotiate future offtake agreement and failure to comply with future offtake transactions due to failure to deliver physical production may have a material adverse effect on the Company's business.	Section 9.4
No Geographical	Following completion of the Acquisition, the sole asset of the Company, will be its interest in the	Section 9.6

Diversification		Hanging Woman Project which is located in Wyoming in the United States of America	
Gas Price Volatility		Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas, may have a material adverse effect on the Company's business and therefore the value of the Company's investment in the Hanging Woman Project following completion of the Acquisition.	Section 9.7
Risks associated with operations in the United States		Future political and economic conditions in the United States of America and adoption of different policies regarding foreign development and ownership of mineral resources may have a material adverse effect on the Company's business.	Section 9.8
Exploration and Development Rights		Following completion of the Acquisition there is no guarantee that the Company will be granted future exploration rights necessary to develop the Hanging Woman Project on acceptable terms.  If such rights are not granted, the Company's performance would be adversely affected and have a resulting effect on the value of the Company's investment in the Hanging Woman Project.	Section 9.9
Exploration and Development Risks		Oil and gas exploration, development and operations risks.  A failure to discover an economic reserve, or to successfully produce from such a reserve, will adversely affect the Company's performance and have a resulting effect on the value of the Company's investment in the Hanging Woman Project following completion of the Acquisition.	Section 9.10
Availability of Equipment and Drilling Costs		On completion of the Acquisition, the Company will be operating in the oil and gas industry which has historically experienced periods of rapid cost increases. Any increase in the cost of exploration and development would affect the ability of the Company to invest in the Project and to purchase or hire equipment, supplies and services.  Any reduced availability of equipment and services may delay or prevent the Company's ability to exploit reserves and its operations and profitability.	Section 9.11
Decommissioning Costs		Following completion of the Acquisition and the acquisition of the Hanging Woman Project, the Company shall be responsible for costs associated with plugging and abandoning and reclaiming wells, facilities and pipelines which may use for production of oil and gas (if a level of production is achieved).  Such decommissioning costs would negatively impact on the Company's profitability.	Section 9.12
Tenure Risk and Native Title		Ability to comply with, retain and renew oil and gas exploration licenses; ability to obtain production and comply with licenses	Section 9.13

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company and Shareholders should refer to the risk factors set

out in full in Section 9 of this Prospectus (and the Solicitor's Report on the Hanging Woman Project) before making a decision to subscribe for Securities under this Prospectus.

### **Substantial Shareholders – As at the date of this Prospectus**

Those Shareholders holding a relevant interest in 5% or more of the Shares on issue as at the date of this Prospectus are as follows:

<b>Shareholder</b>	<b>Shares</b>	<b>Options</b>	<b>% (undiluted)</b>	<b>% (fully diluted)</b>
Sinbad Pty Ltd <sup>2</sup>	1,666,667	Nil	16.57	16.57
Miguel Laborde	1,666,667	Nil	16.57	16.57
Heelmo Holdings Pty Ltd <sup>3</sup>	1,666,667	Nil	16.57	16.57

**Notes:**

- <sup>1</sup> All figures above are on a post-Consolidation basis.
- <sup>2</sup> These Shares are held by Sinbad Pty Ltd ATF Rock City Unit Trust, an entity associated with Steve Nicols, a previous director of the Company who resigned on 7 July 2011.
- <sup>3</sup> 1,116,667 of these Shares are held by Heelmo Holdings Pty Ltd ATF Deep Blue Trust and 500,000 of these Shares are by Heelmo Holdings Pty Ltd ATF Rowbottam Super Fund, an entity associated with Mark Rowbottam, a current Director.

### **Substantial Shareholders – On completion of the Acquisition and the Offer**

Those Shareholders holding a relevant interest in 5% or more of the Shares on completion of the Acquisition and the Offer (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer and \$7,000,000 is raised pursuant to the Offer) are as follows:

<b>Shareholder</b>	<b>Shares</b>	<b>Options</b>	<b>% (undiluted)</b>	<b>% (fully diluted)</b>
Kennedy Oil	15,000,000	-	11.11	9.16
Sablet Pty Ltd <sup>1</sup>	10,000,000	2,500,000	7.40	7.63
Etchell Capital <sup>2</sup>	10,000,000	2,500,000	7.40	7.63
Richard Stephen Simpson	9,000,000	2,250,000	6.66	6.87

**Notes:**

- <sup>1</sup> All figures above are on a post-Consolidation basis and assume all Options on issue following completion of the Offer and the Acquisition are exercised.
- <sup>2</sup> These Securities are held by Sablet Pty Ltd ATF The Archard Palmer Family Trust, an entity associated with Saxon Palmer, a Proposed Director.
- <sup>3</sup> These Securities are held by Etchell Capital Pty Ltd ATF The Simpson Superannuation Fund, an entity associated with John (Gus) Simpson, a Proposed Director.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares re-commencing trading on ASX.

### **Financial Information**

Following an extended period of suspension (since May 2008 up to and including the date of this Prospectus) and its proposed acquisition of Cady Energy and the right to acquire the Hanging Woman Project, the Company will be in the early stages of exploring the land the subject of the Project which is in a startup phase. Therefore, the Company's recent operational and financial historical performance is limited.

The following table sets out a summary of the Company's historical audited financial statements for the three most recent financial years and the most recent unaudited financial statement of the Company.

<b>Consolidated Statement of Financial Position - Historical</b>				
	<b>31 Dec 2010 (Unaudited)</b>	<b>30 June 2010 (Audited)</b>	<b>30 June 2009 (Audited)</b>	<b>30 June 2008 (Audited)</b>
<b>Current Assets</b>				
Cash and cash equivalents	84,008	1,126	18,137	-
Trade and other receivables	7,778	-	-	-
<b>Total Current Assets</b>	<b>91,786</b>	<b>1,126</b>	<b>18,137</b>	<b>-</b>
<b>Non Current Assets</b>				
Property, plant and equipment	-	-	26,049	22,035
<b>Total non Current Assets</b>	<b>-</b>	<b>-</b>	<b>26,049</b>	<b>22,035</b>
<b>Total Assets</b>	<b>91,786</b>	<b>1,126</b>	<b>44,186</b>	<b>22,035</b>
<b>Current Liabilities</b>				
Trade and other payables	48,699	1,147,766	1,155,744	971,404
<b>Total Current Liabilities</b>	<b>48,699</b>	<b>1,147,766</b>	<b>1,155,744</b>	<b>971,404</b>
<b>Total Liabilities</b>	<b>48,699</b>	<b>1,147,766</b>	<b>1,155,744</b>	<b>971,404</b>
<b>Net Assets</b>	<b>43,087</b>	<b>(1,146,640)</b>	<b>(1,111,558)</b>	<b>(949,369)</b>
<b>Equity</b>				
Issued Capital	7,741,035	7,375,015	7,375,015	7,375,015
Retained profits	(7,697,948)	(8,521,655)	(8,486,573)	(8,324,384)
<b>Total Equity</b>	<b>43,087</b>	<b>(1,146,640)</b>	<b>(1,111,558)</b>	<b>(949,369)</b>

The Company's start up funding will be generated from the Offer the subject of this Prospectus. The Company expects to raise further funding from the issue of Securities in the future. Following the acquisition of the Hanging Woman Project, if the Company's proposed exploration is successful and the Company chooses to develop its Project then the Company may also consider debt funding.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is set out in the Investigating Accountant's Report in Section 7. Investors should read the Investigating Accountant's Report in full.

## **Directors**

### **EXISTING DIRECTORS**

#### **Mr Stephen Quantrill – Managing Director & Chief Executive Officer**

Mr Quantrill is a professional engineer with over 10 years experience as a company director and more than 15 years experience as a business leader in financial and engineering services. He is Chairman of Pedco Engineering Pty Ltd and he is the former Managing Director of WA Developments and WA Capital Group. Whilst a resident of South Africa he led Old

Mutual Direct, a subsidiary of Old Mutual plc., he was head of Reengineering at Nedcor Bank Limited and he was a Civil Engineering Manager at Grinaker Construction. He attained his university degrees with first class honours and has a high level of commercial and managerial expertise across multiple geographical locations including Australia, South Africa, and Europe.

#### **Miguel Laborde - Non-Executive Director (retiring)**

It is proposed that Mr Laborde will resign as a Director of the Company upon completion of the Acquisition.

#### **Mark Rowbottam - Non-Executive Director (retiring)**

It is proposed that Mr Rowbottam will resign as a Director of the Company upon completion of the Acquisition.

### **PROPOSED DIRECTORS**

#### **Mr John (Gus) Simpson – Proposed Non- Executive Chairman**

Mr J Simpson has over 20 years of experience in the management of listed and unlisted companies with international operations. He is currently Executive Chairman of Peninsula Energy Limited, a Wyoming focused energy developer, and he has extensive experience in project development and equity funding within the resources industry. Mr J Simpson Previously held positions include Executive Chairman of Etchell Capital Pty Ltd, Olea Australis Limited and Executive Director of Tanganyika Gold Limited, Panorama Resources NL. Mr J Simpson brings an extensive range of corporate and commercial expertise to the company.

Details of the companies that Mr J Simpson was an officer of that have gone into administration are set out below (“**Proposed Directors’ Disclosure regarding Previous Directorships**”). After due consideration, the Directors and other non-associated Proposed Directors are of the view that Mr J Simpson’s involvement in these companies in no way impacts on his appointment and contribution as a Proposed Director of the Company.

#### **Mr Saxon Palmer – Proposed Technical Director**

Mr Palmer is a geologist with over 25 years of international geoscience and senior management experience with BP and BHP Billiton. At BHP Billiton, Mr. Palmer was most recently Exploration Manager (Australia/Asia) and, prior to this, as Portfolio Manager (Global), he managed the company’s largest discretionary budget for global exploration, appraisal and business development activities (>US\$500 million per annum). Mr. Palmer has explored/appraised oil & gas projects and developed oil & gas business opportunities in most of the major international oil & gas basins in the world. He is a graduate of the Advanced Management Program at the Wharton School of the University of Pennsylvania and brings extensive technical oil and gas expertise and commercial experience to the Board.

#### **Mr Murray Durham – Proposed Non-Executive Director**

Mr Durham is a geologist with over 25 years of international geoscience and senior management experience within large multi-national corporations; these include Shell, BHP Billiton and Apache Energy. At BHP Billiton, Mr Durham was Global Business Manager for the coal seam methane business. At Apache Energy he was Director of Oil and Gas Marketing until November 2009, responsible for marketing Australian crude oil and gas and managing its many gas supply agreements. Murray is currently a Director of Red Sky Energy Limited and a Director of the Australian Pipeline Industry Association. Mr Durham brings extensive experience in coal seam methane, business development, operations management and marketing to the Board.

## Mr Anthony Simpson – Proposed Non-Executive Director

Mr A Simpson has over 40 years experience in the resources industry in various senior management, technical and operational positions. He is currently Chief Operating Officer of Peninsula Energy Limited. Prior to joining Peninsula Mr Simpson was Chief Operating Officer of TSX listed GBS Gold international Inc from 2006 to 2008. Mr A Simpson was also Technical Director of PMA/Vanadium Australia Pty Ltd from 1997 to 2004. In addition to his extensive practical, commercial and operational experience Mr A Simpson holds a B.Sc.Mining Engineering (Honours) from Cardiff University in Wales.

Details of the companies that Mr A Simpson was an officer of that have gone into external administration are set out below (“**Proposed Directors’ Disclosure regarding Previous Directorships**”). After due consideration, the Directors and other non-associated Proposed Directors are of the view that Mr J Simpson’s involvement in these companies in no way impacts on his appointment and contribution as a Proposed Director of the Company.

### **Proposed Directors’ Disclosure regarding Previous Directorships**

---

Mr J Simpson was a director of Australian Mineral Sands NL that went into administration in 1993, Leisure and Gaming Corporation Ltd that went into administration in 2001, Gindalbie Mining NL that went into administration in 1991.

Leisure and Gaming went into administration following the Federal Government’s banning of online gaming and Gindalbie Mining NL went into member voluntary administration (it was solvent at the time), it spun out its only asset to Wattle Gully Gold Mines (shareholder received shares in Wattle Gully as consideration)

The Directors and other non-associated Proposed Directors have considered the above circumstances surrounding Mr J Simpson’s involvement in Leisure and Gaming Corporation Ltd and Gindalbie Mining NL, and the significant period of time which has passed since his involvement in Australian Mineral Sands NL, and are of the view that Mr J Simpson’s involvement in these companies in no way impacts on his appointment and contribution as a Proposed Director of the Company.

Mr A Simpson was a director of the following group of companies: Burnside Operations Pty Ltd, E-Auction Australasia Pty Ltd, Excor Resources Pty Ltd, GBS Gold Australia Pty Ltd, GBS Gold Australia (Tom’s Gully) Pty Ltd, GBS Gold Australia (Land Holdings) Pty Ltd, GBS Gold Holdings Pty Ltd, Northern Gold Pty Ltd, Terra Gold Mining Pty Ltd, Terra Metals Pty Ltd, Territory Goldfields Pty Ltd, Camelot Northern Territory PL and Buffalo Creek Mines PL (together, the **GBS Group**).

The GBS Group went into administration in September 2008 when the Canadian parent company of the GBS Group (**GBS**) was unable to raise either equity or borrow money to meet its operating needs. The directors of GBS were concerned not to permit the GBS Group to continue to trade and to avoid the risk of insolvent trading. This was at the height of the onset of the global financial crisis (**GFC**) and during this period, the GBS Group was also impacted by an unfavourable movement in the exchange rate between the AUD and the USD, which affected the prices the GBS Group received for gold sold. Other events at the GBS Group mines also had an adverse impact on revenues that was expected to be of a relatively short duration. All of these factors (adverse exchange rates, events causing a short term drop in production and increased costs and the inability to raise funds at the time of the onset of the GFC) coincided.

The Directors and other non-associated Proposed Directors have considered the circumstances surrounding Mr A Simpson’s involvement in these companies and are of the view that Mr A Simpson’s involvement with those companies in no way impacts on his appointment and contribution as a Proposed Director of the Company.

## Disclosure of Interests

Directors are not required under the Constitution to hold any Securities. As at the date of this Prospectus, the current Directors and the Proposed Directors have relevant interests in Securities as follows:

Current Director	Shares <sup>1</sup>	Options <sup>1</sup>
Stephen Quantrill <sup>5</sup>	Nil	Nil
Migual Laborde	1,666,667	Nil
Mark Rowbottam	1,666,667	Nil
Proposed Director	Shares <sup>1, 5</sup>	Options <sup>1</sup>
Saxon Palmer <sup>2, 5</sup>	10,000,000	2,500,000
John (Gus) Simpson <sup>3, 5</sup>	10,000,000	2,500,000
Murray Durham <sup>5</sup>	4,000,000	375,000
Anthony Simpson <sup>4, 5</sup>	6,000,000	1,500,000

### Notes:

- <sup>1</sup> All figures above are on a post-Consolidation basis.
- <sup>2</sup> These Securities are held by Sablet Pty Ltd ATF The Archard Palmer Family Trust, an entity associated with Saxon Palmer.
- <sup>3</sup> These Securities are held by Etchell Capital Pty Ltd ATF The Simpson Superannuation Fund, an entity associated with John (Gus) Simpson.
- <sup>4</sup> These Securities are held by Fossims Jeanette Pty Ltd ATF Fossims and Jeanette Superannuation Fund, an entity associated with Anthony Simpson.
- <sup>5</sup> The above tables do not contemplate the Proposed Director Placement. Completion of the Proposed Director Placement will be subject to prior Shareholder approval to be sought at the next General Meeting of the Company.

## Remuneration

At the Annual General Meeting Shareholders approved the adoption by the Company of a new Constitution of the Company (**New Constitution**) on completion of the Acquisition. Further details in relation to the New Constitution are set out in the Notice of Meeting and a copy of the New Constitution is available for review at office of the Company and can be downloaded from the Company's ASX platform at [www.asx.com.au](http://www.asx.com.au).

The New Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$350,000 per annum.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

The annual remuneration (inclusive of superannuation) payable to each of the Directors as the date of this Prospectus is as follows:

Current Director	Annual Remuneration (\$)
Stephen Quantrill <sup>1</sup>	327,000
Migual Laborde	Nil
Mark Rowbottam <sup>2</sup>	Nil

Proposed Director	Proposed Annual Remuneration (\$)
Saxon Palmer <sup>3</sup>	Refer below
John (Gus) Simpson	50,000
Murray Durham	36,000
Tony Simpson	36,000

**Notes:**

- <sup>1</sup> Stephen Quantrill was appointed a Director on 7 July 2011 and no Directors fees will be paid to Stephen Quantrill until completion of the Acquisition. Refer to Section 10.3 for further details
- <sup>2</sup> Mark Rowbottam is a current Director of the Company and a director of Allegra Capital (AFS Licence 308192). Mark Rowbottam has advised the Company that Allegra Capital intends to place Securities the subject to this Offer to clients. As such Allegra Capital will be paid a commission of up to 5% (inclusive of goods and services tax) in respect of valid applications lodged and accepted by the Company and bearing the stamp of Allegra Capital as contemplated in Section 3.8 (being on the same terms and conditions payable to other licensed securities dealers or Australian Financial Services licensees).
- <sup>3</sup> Saxon Palmer will be paid as a consultant on an hourly rate of \$250 per hour for the provision of technical services on an as required basis. Refer to Sections 10.5 and 10.6 for further details.

Miguel Laborde and Mark Rowbottam were both appointed on 4 November 2010 and under the current arrangements do not receive any remuneration. The Company has entered into consultancy agreements or appointment letters with Stephen Quantrill and each of the Proposed Directors which are summarised in Sections 10.3 to 10.8.

**Material Contracts**

Material contracts to which the Company is a party are summarised in Section 10 of this Prospectus.

Pursuant to the Share Sale Agreement (as summarised in Section 10.1, the Company will acquire Cady Energy which currently holds the exclusive right to purchase 100% of the Hanging Woman Project in Wyoming.

In order to acquire the Hanging Woman Project, the Company will be required to satisfy the obligations contained in the Kennedy Oil Agreement. The key obligations under his agreement are set out below. For further details refer to the summary contained in Section 10.2 of this Prospectus.

**Kennedy Oil Agreement – Acquisition of the Hanging Woman Project**

In accordance with the terms of the Kennedy Oil Agreement:

- (a) immediately following re-admission of the Company to the Official List (**Admission Date**), the Company must reimburse the Kennedy Vendors for past operating costs on the Hanging Woman Project (estimated to be a total of approximately US\$500,000 to US\$550,000 as at the Admission Date) (**Reimbursement Payment**);
- (b) within 30 days of the Admission Date, the Company must pay the Kennedy Vendors US\$1,550,000 (**Re-Admission Payment**);
- (c) within 30 days of the expiration of the period allowed for the Company to perform the Minimum Agreed First Year Work Program (or earlier, at the election of the Company), the Company must, at the election of the Kennedy Vendors, either:

- (i) pay the Kennedy Vendors US\$2,000,000; or
- (ii) issue the Kennedy Vendors the equivalent value of Shares at a deemed issue price of \$0.20 each,

**(Title Transfer Payment);** and

(d) within 30 days of first shipment to market of commercial natural gas produced from the Hanging Woman Property, (or earlier at the Company's election), the Company must, at the election of the Kennedy Vendors, either:

- (i) pay the Kennedy Vendors US\$3,000,000; or
- (ii) issue the Kennedy Vendors the equivalent value in Shares at a deemed issue price of \$0.20 each,

**(Production Payment).**

The Minimum Agreed First Year Work Program includes the drilling of a minimum of two new wells at the Hanging Woman Project, and performing analysis on the core from at least one well to the Company's satisfaction and applying for a minimum of seven applications for permits to drill.

Following completion of the Minimum Agreed First Year Work Program, or earlier, at the election of the Company, 100% of the legal title to the leases which comprise the Hanging Woman Project will be transferred to Cady Energy US (a subsidiary of Cady Energy).

#### **Expenses of the Offer**

The total expenses of the Offer (assuming the Offer is fully subscribed to raise \$7,000,000 and no oversubscriptions are accepted) are set out in the table below:

<b>Item of Expenditure</b>	<b>Amount (\$)</b>
ASIC Fees	2,137
ASX Fees	100,000
Experts' Fees	25,000
Legal Fees	50,000
Capital Raising Fees	110,000
Miscellaneous	12,863
<b>TOTAL</b>	<b>300,000</b>

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## 1. CORPORATE DIRECTORY

### Current Directors

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**Stephen Quantrill**  
Managing Director & Chief Executive Officer

**Migual Laborde**  
Non-Executive Director (retiring)

**Mark Rowbottom**  
Non-Executive Director (retiring)

### Proposed Directors

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**John (Gus) Simpson**  
Non-Executive Chairman

**Saxon Palmer**  
Technical Director

**Murray Durham**  
Non-Executive Director

**Anthony Simpson**  
Non-Executive Director

### Current Company Secretary

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Eryn Kestel

### Proposed Company Secretary

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Jonathan Whyte

### Registered Office

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Level 2 Spectrum  
100 Railway Road  
SUBIACO WA 6008

Telephone: +61 2 9299 2289  
Facsimile: +61 2 9299 2239

### Website

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[www.grpcorporation.com](http://www.grpcorporation.com)

### ASX Code

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Current: GRP

Proposed: CGY

### Australian Solicitors

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Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

### Wyoming Solicitors

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Brown, Drew & Massey, LLP  
159 North Wolcott, Suite 200  
Casper, Wyoming 82601  
United States of America

### Auditor\*

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Hall Chadwick  
Level 29, St Martins Tower  
31 Market Street  
SYDNEY NSW 2001

### Auditors and Investigating Accountant

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BDO Corporate Finance (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

### Independent Technical Expert

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Robert A. King  
1551 Three Crowns Drive, Suite 301 Casper,  
Wyoming 82604  
United States of America

### Share Registry\*

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Security Transfer Registrars  
770 Canning Highway  
APPLECROSS WA 6153  
Telephone: +61 8 9315 2333

\*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus.

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## 2. MANAGING DIRECTOR'S LETTER

Dear Investor

On behalf of the Directors of GRP Corporation Limited (**GRP** or the **Company**), I am pleased to present this Prospectus offering you the opportunity to become a Shareholder in, or to increase your shareholding in, the Company.

The Company has entered into an agreement to acquire Cady Energy Pty Ltd which holds an exclusive right to acquire 100% of the Hanging Woman CBM Project in Wyoming, USA (**Hanging Woman Project** or **Project**). The Project is comprised of a strong leasehold position of 13,280 net acres secured over the Roberts coal in Sheridan Country, Wyoming. On completion of the Offer and the Acquisition, subject to satisfying certain payments and undertaking an agreed work program, the Company will obtain legal title to the Project. These payments and obligations are set out in Section 10.2 of the Prospectus.

Following acquisition of Cady Energy and the Hanging Woman Project, the Company intends to expand the Project and add further similar projects in close geographical proximity in the future. The current planned development of the Project will be funded by the funds raised pursuant to this Offer.

On completion of the Acquisition a new and experienced Board will be appointed with strong corporate, technical and operational skills and I have every confidence in their ability to deliver this Project for the benefit of all Shareholders.

The Board looks forward to welcoming you as a Shareholder.

Yours sincerely

**Stephen Quantrill**  
**MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**

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### 3. DETAILS OF THE OFFER

#### 3.1 Applications

- Applications for Securities under the **Priority Offer** must be made using the **Priority Offer Application Form**.
- Applications for Securities under the **Public Offer** must be made using the **Public Offer Application Form**.

Payment for the Securities must be made in full at the issue price of \$0.20 per Share. Applications must be for a minimum of 10,000 Shares (and 5,000 free attaching Options) and thereafter in multiples of 1,000 Shares (and 500 free attaching Options). Completed Application Forms and accompanying cheques must be mailed or delivered to the Company's Share Registry, as follows:

Security Transfer Registrars  
770 Canning Highway  
APPLECROSS WA 6153

Cheques should be made payable to "**NKH Pty Ltd ATF The NKH Trust Account**" and crossed "Not Negotiable".

Completed Application Forms must be sent to the above address by no later than the relevant Closing Date.

Electronic payments should be made according to the instructions set out below and on the Application Form. Application money can be paid to the Company by electronic funds transfer (**EFT**) to the following account:

Account Name: NKH Pty Ltd ATF The NKH Trust Account  
BSB: 086-006  
Account Number: 518830594

NKH Pty Ltd (trading as Nissen Kestel Harford), as registered agent of the Company, will accept application money into its trust account (as detailed above) and hold such monies on behalf of the Company and Applicants.

**Applicants should ensure they include their reference details if paying by EFT.**

Electronic payments must be received by the Company by 1:00pm (WST) on the applicable Closing Date. You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted electronically are received by 1:00pm (WST) on the Priority Offer Closing Date or the Public Offer Closing Date (as the context permits).

The Priority Offer and the Public Offer may each be closed at an earlier date, and time, at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Priority Offer and the Public Offer or accept late applications.

#### 3.2 Minimum subscription

The minimum subscription to be raised pursuant to this Prospectus is \$7,000,000.

If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

### **3.3 Oversubscriptions**

The Company may accept oversubscriptions under the Offer of up to a further \$3,000,000 through the issue of up to a further 15,000,000 Shares at an issue price of \$0.20 each together with 7,500,000 free attaching Options. The maximum amount which may be raised under this Prospectus is therefore \$10,000,000

### **3.4 Loyalty Option Issue**

All Shareholders registered on the share register of the Company within approximately three months following the re-admission of the Company to the Official List of ASX (record date to be confirmed) will be entitled to participate in a proposed non-renounceable entitlements issue of options (**Loyalty Options**) on the basis of one Loyalty Option for every two Shares held at the record date. The Loyalty Options are to be issued free with an exercise price of \$0.20 and expiring 30 September 2014.

### **3.5 Allotment**

Allotment of Securities offered by this Prospectus will take place as soon as practicable after the Closing Date of the Public Offer. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Securities takes place, will retain any interest earned on the application monies.

The Directors reserve the right to allot Securities in full for any application or to allot any lesser number or to decline any application. Where the number of Securities allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within seven (7) days of the allotment date.

### **3.6 ASX Listing**

The Company will not be reinstated to Official Quotation until satisfaction of the conditions to the Offer and ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Application for Official Quotation by ASX of the Securities offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by the ASIC), the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

### **3.7 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an

offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

### **3.8 Commissions on Application Forms**

The Company reserves the right to pay a commission of 5% (inclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian Financial Services licensee in respect of valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian Financial Services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services licensee.

### **3.9 CHESS**

The Company is a participant in Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

### **3.10 Withdrawal of Offer**

This Offer may be withdrawn at any time. In this event, the Company will return all Application monies (without interest) within 28 days of giving the notice of withdrawal.

The risk factors set out in the Investment Overview Section and Section 9, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.

### **3.11 Privacy statement**

If you complete an application for Securities, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of

takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

### **3.12 Queries**

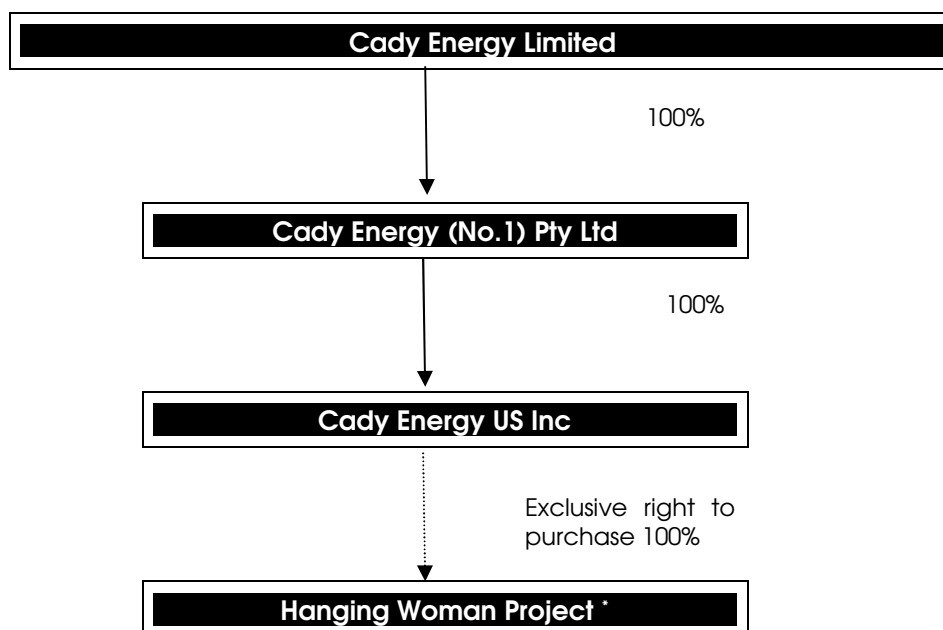
Any questions concerning the Offer should be directed to the proposed Company Secretary, Jonathan Whyte on +61 8 9380 9920

## 4. COMPANY AND PROJECT OVERVIEW

### 4.1 Background

The Company listed on ASX on 21 March 2003 with its main focus being property development. The Company has been suspended from trading on ASX since May 2008. The Company does not currently hold any significant assets.

Pursuant to a Share Sale Agreement (as summarised in Section 10.1, upon successful completion of the Offer, the Company will acquire 100% of the issued capital of Cady Energy which, through its wholly owned subsidiary Cady Energy US Inc, has an exclusive right to acquire 100% of the Hanging Woman Project, a coal bed methane project in the Powder River Basin, Sheridan County, Wyoming, USA. On completion of the Acquisition, the Company will be re-named "Cady Energy Limited" and Cady Energy Pty Ltd will be renamed "Cady Energy (No.1) Pty Ltd.



**Figure 1: Company Structure on completion of the Acquisition**

**Note:** \* Reference to "Cady Energy Limited" above is a reference to GRP Corporation Limited.

Cady Energy is an Australian company based in Perth which is focused on the acquisition and subsequent commercial development of the Hanging Woman Project. Cady Energy US Inc holds the exclusive rights to purchase a 100% interest in the Project from Kennedy Oil pursuant to the Kennedy Oil Agreement (as summarised in Section 10.2).

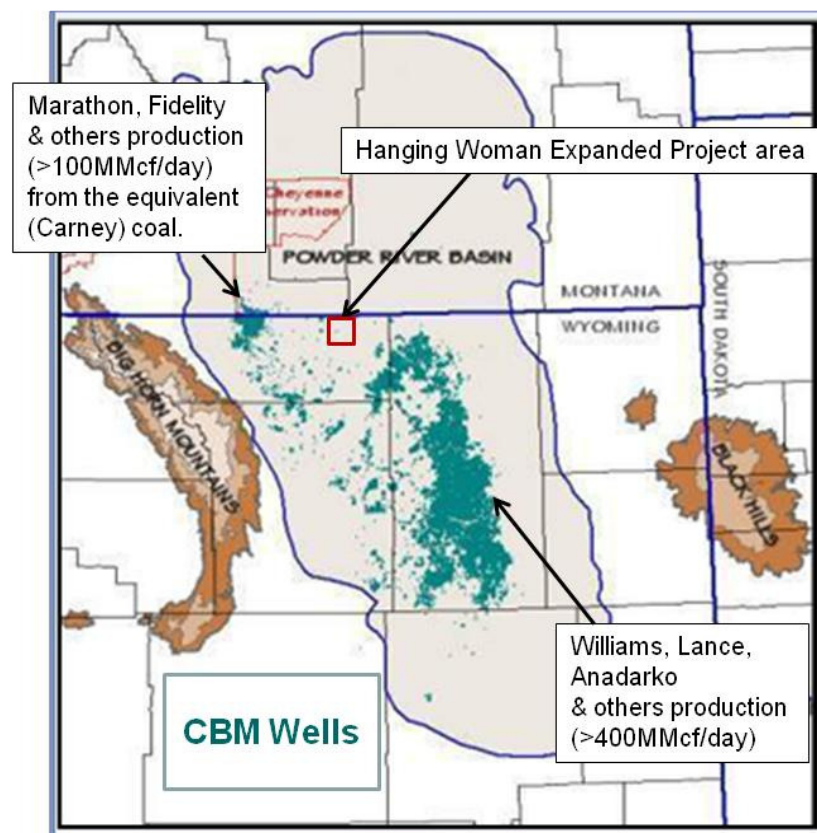
The strategic objectives of the Company are to increase Shareholder value by acquiring and advancing the Hanging Woman Project toward commercial production and growing the Project area through acquisition or lease of further land or projects as and when they become available.

### 4.2 Geological Overview

The Hanging Woman Project is located in the Powder River Basin (**PRB**) which covers over 60,000km<sup>2</sup> of northeast Wyoming and southeast Montana. The PRB contains up to 5,200m thickness of Cretaceous and Tertiary sediment (Refer to Figure 2).

The Palaeocene Fort Union Formation in the PRB contains one of the largest deposits of coal in the world. This formation is also the largest single source of coal in the US (~40% of US coal production) and the location of the two of the largest coal mines in the world. These coals are a proven prolific source of coal bed methane. The CBM industry began in the PRB in 1987 and has grown rapidly. In 2009, 558MMcf/day of gas was produced, making it the 3<sup>rd</sup> largest gas-producing field in the USA. Along with this large and growing production base the US Geological Survey estimates that only approximately 4Tcf of the >25Tcf gas resource in the PRB has been extracted. This upside potential exists in coals that are already producing and coals that are yet to be developed.

Coals in the PRB are generally sub-bituminous, thick (up to 40m seams) and naturally micro-fractured with usually no artificial fracturing (“fracking”) required for production. These coal seams are generally shallow and are geologically simple. These attributes mean that the CBM can be developed with low-cost vertical wells and simple completions.



**Figure 2: Powder River Basin Location Map**

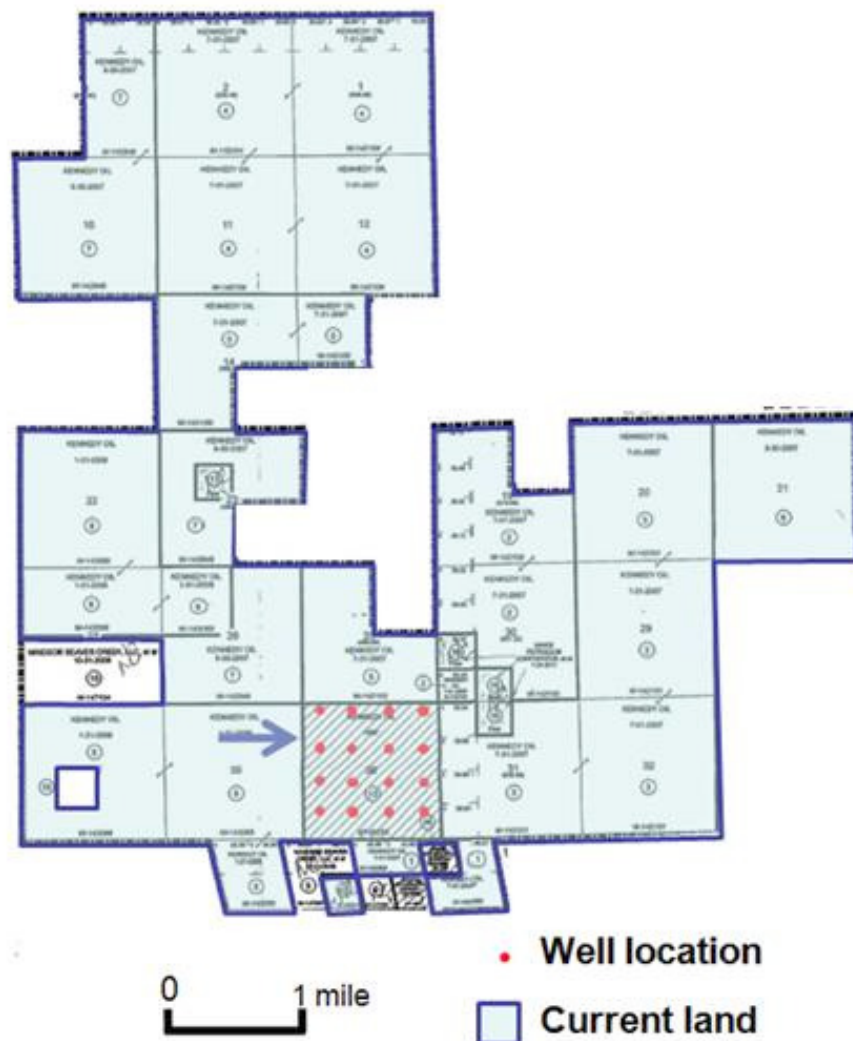
Historically CBM wells in the PRB have produced formation water of sufficient quality to allow it to be released into the natural drainage system. More recently operators have been producing water into unlined pits where the water evaporates or returns to the water table. Other operators are alternately reinjecting water back into the natural aquifers.

The 16 producing wells in the 30-well Hanging Woman Project are currently directing water into surface pits where the water re-enters the ground water system or evaporates. Future water disposal is expected to be a combination of similar processes and/or re-injection into shallow aquifers.

### 4.3 Hanging Woman Project

In 2009, Cady Energy identified the opportunity to acquire significant gas resources with the potential for low-cost production, and entered into a strategic relationship with Kennedy Oil, an established and successful CBM producer in the PRB, which led to the Kennedy Oil Agreement pursuant to which Cady Energy US Inc holds the right to acquire the Hanging Woman Project.

The Hanging Woman Project comprises 13,280 net acres, located in Sheridan County, Wyoming, USA. There are 14 coal seams mapped over the Project area, ranging in thickness up to 11m with a stacked average thickness of 39m. These coals range in depth from 150m to 900m. 30 CBM wells have been drilled in the project, with accompanying roads and water handling facilities installed.



Figure

### 3: CBM Tenement Map

Following completion of the Acquisition, the Company's initial development focus for the Hanging Woman Project is the Roberts Coal, which averages 8.2m in thickness at an average depth of 800m over the Project area.

The 16 wells that have been completed for production have been dewatering for over 2.5 years and are at the point that desorption of gas is occurring and is

showing at the wellhead. The Company intends to conduct further drilling within the Hanging Woman Project area with the objective of further dewatering the Roberts Coal and expanding the existing reserves.

The Independent Technical Report (as set out in Section 6) details a total resource base of 95Bcf. There are 50Bcf in the Proven plus Probable (2P) reserves category and 65Bcf in the Proven plus Probable plus Possible (3P) reserves category. Commercial gas flows will allow 2P reserves to be booked as 1P. As further reserves are added, this will add significant value to the Project.

#### 4.4 Infrastructure and Services

Wyoming has a 125+ year history of conventional oil and gas production and 20+ year old CBM industry. Over this time the State has developed extensive infrastructure including pipelines, gas processing, and compression for gathering and transmission to markets. It also has a well-developed service industry providing operational and technical services at globally competitive prices. There is currently ready access to drilling rigs and equipment for the 2 or more wells that the Company intends to drill before December 2011.

Until the end of 2009, prices for Wyoming's gas suffered from a shortage of pipeline infrastructure resulting in a lack of access to the more lucrative gas markets in the north-east and western USA. This changed in November 2009 with the commissioning of the Regional Express Pipeline, the Bison Pipeline (which began operations in January 2011) and the soon-to-be-commissioned Ruby Pipeline, which now allows transportation of Wyoming gas to these more lucrative markets. An effect of these changes has been a significant net increase to the price achievable for Wyoming gas.

Near the Hanging Woman Project there is existing pipeline infrastructure with the capacity to transport the gas production of over 50MMcf/day. Bitter Creek Pipelines LLC (**Bitter Creek**) owns a 12" high-pressure pipeline within 2km of the Project. Cady anticipates installing an 8" high-pressure pipeline from the Hanging Woman Project to connect with this line. Bitter Creek also owns nearby compression and dehydration facilities

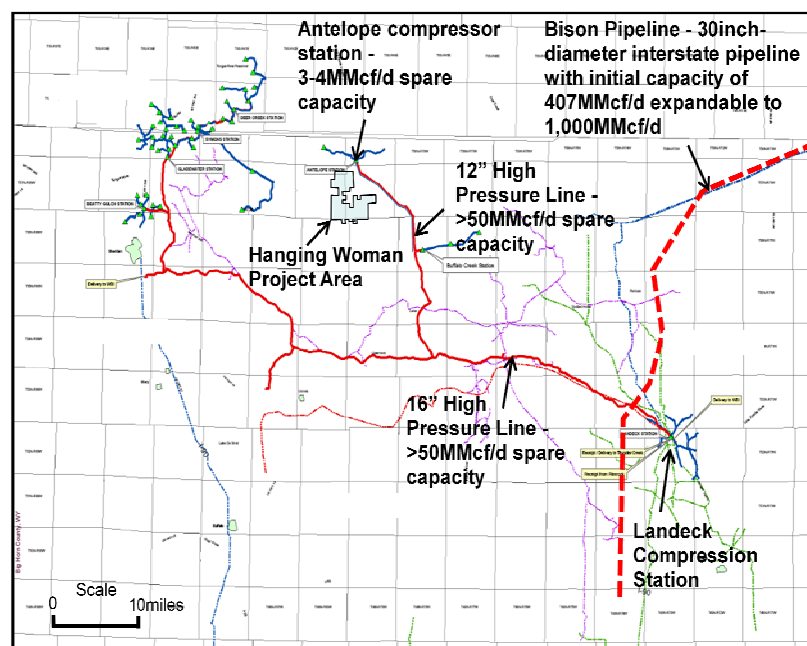


Figure 4: Hanging Woman Project Area: Pipeline Infrastructure

#### **4.5 Proposed Drilling Program and Permits to Drill at the Project**

In accordance with the Kennedy Oil Agreement in order to acquire the Project, amongst other things, the Company is required to satisfy a Minimum Agreed First Year Work Program (**MAWP**). The Kennedy Oil Agreement and MAWP are further summarised in the Solicitor's Report on the Hanging Woman Project contained in Section 8 and Section 10.2 of this Prospectus.

As part of the MAWP the Company is required to drill a minimum of two wells on leases WYW-142100 and WYW-142101 (which form part of the Hanging Woman Project), perform analysis on the core from at least one of those wells and apply for a minimum of seven Applications for Permits to Drill (**APD's**).

As at the date of this Prospectus, 77 APD's have been granted over leases which comprise the Project. Notwithstanding this, the Company is still required to apply for an additional seven APD's to comply with its obligations under the MAWP.

In order to maintain the leases which comprise the Project the Company is required to drill wells on 5 leases (being WYW-142100, WYW-142101, WYW-142104, WYW-142105 and WYW-142848 (which form part of the Hanging Woman Project)) before 5 December 2011 (**Drilling Program**). The drilling of WYW-142100 and WYW-142101 within this timeframe will also satisfy the drilling requirements of the MAWP under the Kennedy Oil Agreement as detailed above.

#### **4.6 Royalties**

As detailed in the Solicitor's Report on the Hanging Woman Project contained in Section 8 of this Prospectus, various royalties are payable in respect of the leases which comprise the Project.

The royalties are payable to the Bureau of Land Management in Wyoming and also to various parties, including associates of the Kennedy Vendors.

Further details of these royalties are set out in the Solicitor's Report on the Hanging Woman Project contained in Section 8 and the summary of the Kennedy Oil Agreement in Section 10.2 of this Prospectus.

#### **4.7 Additional Projects**

Following completion of the Acquisition, the Company proposes to seek to add to its leasehold position through the acquisition of further suitable leaseholds adjacent to and or in close proximity to the Hanging Woman Project as well as other general project opportunities in the oil and gas sector.

In accordance with the terms and conditions of the Kennedy Oil Agreement, the Company can, at its election, bring forward the Title Transfer Payment of US\$2m to secure title to the Hanging Woman Project prior to completion of the MAWP.

In the event the Company does not acquire the Hanging Woman Project for whatever reason, the Company would seek to acquire another suitable CBM project.

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## 5. CORPORATE GOVERNANCE

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan will be available in a dedicated corporate governance information section of the Company's website.

### **Board of directors**

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

### ***Composition of the Board***

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

### ***Identification and management of risk***

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

### ***Ethical standards***

The Board is committed to the establishment and maintenance of appropriate ethical standards.

### ***Performance evaluation***

In the absence of a nomination committee, the Board will conduct a performance evaluation of its individual Directors on an annual basis. To assist in this process an independent advisor may be used.

The Nomination Committee will conduct an annual review of the role of the Board, assess the performance of the Board over the previous 12 months and examine ways of assisting the Board in performing its duties more effectively.

Where applicable, the review will include:

- (a) comparing the performance of the Board with the requirements of its Charter;
- (b) examination of the Board's interaction with management;
- (c) the nature of information provided to the Board by management; and
- (d) management's performance in assisting the Board to meet its objectives.

### ***Independent professional advice***

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### ***Remuneration arrangements***

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$350,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board has not established a remuneration committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the Board, acting without the affected Director participating in the decision making process, currently serves as a remuneration committee.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

### ***Trading policy***

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

### ***External audit***

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

***Audit committee***

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

***Diversity policy***

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

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**6. INDEPENDENT TECHNICAL REPORT**

**ROBERT A. KING, P.E.**

1551 THREE CROWNS DRIVE, SUITE 301

CASPER, WYOMING 82604

(307) 266-5464

bobking06@qwestoffice.net

July 18, 2011

GRP Corporation Limited  
Level 2 Spectrum  
100 Railway Rd  
Subiaco East, WA 6008

**Re: Potential Gas Resources  
Hanging Woman Area CBM  
Sheridan County, Wyoming**

Dear Sirs:

GRP Corporation Limited (to be renamed Cady Energy Limited) ("GRP"), a company listed on the Australian Securities Exchange ("ASX"), has entered into a Share Sale Agreement with the shareholders of Cady Energy Pty Ltd ("Cady Energy"), whereby GRP will obtain 100% of the issued capital of Cady Energy. I have been commissioned by GRP to provide an Independent Engineering Report ("IER") on the "Hanging Woman" prospect ("the Prospect") in Sheridan County, Wyoming in the United States of America. Cady Energy US Inc., a wholly owned subsidiary of Cady Energy, currently holds the exclusive right to acquire the Prospect from the current license holders of the Project (together "Kennedy Oil").

This IER has been prepared on information available up to and including June 1, 2011. This document is for inclusion in a prospectus that is to be prepared by GRP and lodged with the Australian Securities Investment Commission ("ASIC") in July 2011 ("Prospectus"). The issue will seek to raise \$7 million through the issue of 35 million shares (together with 17.5 million free attaching Options) at \$0.20 (on a post consolidation basis). Oversubscriptions of a further 15 million shares (and 7.5 million options) (on a post consolidation basis) to raise an additional \$3 million may be accepted.

I have evaluated the coalbed methane gas (CBM) potential resources of the 13,280 acre "Hanging Woman" prospect in Sheridan County, Wyoming, and have classified these resources into four categories: proved reserves, probable reserves, possible reserves, and contingent resources. These categories are consistent with the Petroleum Resource Management System (PRMS), published by the Society of Petroleum Engineers (SPE), American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC) and the Society of Petroleum Evaluation Engineers (SPEE). The attached report details my assumptions and data used in these estimates.

Results of the report are summarized as follows:

<u>Category</u>	<u>MMCF</u>
Proved Reserves	0
Probable Reserves	50,031
Possible Reserves	14,584
Contingent Resources	30,054

It is my opinion that the fourteen coal beds identified in the Hanging Woman prospect by Goolsby, Finley, & Associates (as set out in their report annexed as "Annexure A" to this IER) are present as described, and likely contain adsorbed methane gas at or exceeding the quantities specified in my report. Because the thicknesses of most of these coals are less than ten feet, the uncertainty of commercial production is the primary factor in my classifications. My estimation of the total recoverable gas resource in the Hanging Woman prospect is approximately 95 MMCF. In order to recover this amount of gas, favorable economic conditions will be required.

Neither I nor those involved in the preparation of this report have any material interest in GRP, or the mineral properties considered in this report. I am remunerated for this report by way of a professional fee determined in accordance to a standard schedule of rates. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

I have given, and have not subsequently withdrawn my permission for the inclusion of this report in the Prospectus in the form and context in which it appears.

Sincerely,



Robert A. King

Attachment

# **HANGING WOMAN PROSPECT POTENTIAL RESOURCES EVALUATION**

**June 1, 2011**

**Robert A. King, P.E.**

## **Introduction**

The coalbed methane gas (CBM) potential resources of the "Hanging Woman" area in Sheridan County, Wyoming were evaluated, and have been classified into four categories consistent with the Petroleum Resource Management System (PRMS): proved reserves, probable reserves, possible reserves, and contingent resources. Geologic information provided by the consulting geological firm of Goolsby, Finley & Associates (GFA), and other pertinent reservoir and well data were evaluated in order to estimate potentially recoverable coalbed methane gas from coal beds within the 13,280 acre prospect area. Existing well information was obtained from Wyoming Oil & Gas Conservation Commission (WOGCC) records, and coal reservoir properties were obtained principally from core analyses of nearby Nance (now J.M. Huber) CBM wells in the Remington and Wyatt CBM Units.

The reserve numbers in this report are estimates only and should not be construed as being exact quantities. They may or may not be actually recovered, and if recovered, could be more or less than the estimated amounts. Moreover, estimates of reserves may increase or decrease as a result of future operations.

This evaluation does not address the economics of development of contingent resources, which would take into consideration drilling and completion procedures and costs, infrastructure costs (pipelines, compression, power, water disposal, etc), gas marketing variables, completion of individual coals, etc.

In my opinion, the use of funds included as specified in the GRP Prospectus is sufficient to complete the minimum agreed work program as detailed in the Sale and Purchase Agreement between Kennedy Oil and Cady Energy Pty Ltd. The use of funds is also sufficient to drill the five wells required to maintain five federal leases by December 5, 2011.

## **Background**

In December 2005 the Hanging Woman (CBNG) Unit was approved by the Bureau of Land Management as a 15,194 acre federal exploratory unit (WYW164168X) in the northern part of Sheridan County as depicted in the attached Exhibit A. It was comprised of 12 federal mineral leases totaling 14,274 acres, two State mineral leases totaling 721 acres, and 199 acres of fee (patented) leases. Between 2006 and 2008, Kennedy Oil drilled 30 CBM wells within the Unit in Section 36 T57N R80W. Sixteen of these wells were completed in the Roberts Coal at a depth of about 2,900 feet (Table 1), and the other 14 wells were completed in the shallower Cook and Canyon Coals, as identified by Kennedy Oil, at about 800 feet (Table 2.) In November 2007, Kennedy Oil was granted approval by the WOGCC to commingle coal gas production from the Roberts, Oedekovan, and unnamed coals below the Oedekovan in Section 36 T57N R80W, and portions of Sections 30, 31, and 32 T57N R79W (Docket 461-2007). Only Kennedy Oil's Roberts Coal wells

### **Background (continued)**

were placed on production for de-watering, and to date there have been no sales facilities for the gas. There is no reported commingled production. The Roberts Coal wells produce with rod pumps operated by field gas-fired pumping units, with the water being discharged into pits and excess produced gas vented. Through February 2010, cumulative production from Kennedy Oil's wells in Section 36 totals 2.6 mscf of gas and about 1.15 million barrels of water (Table 1). The exploratory unit was terminated by the BLM in December 2009, and production from the wells is now accounted for on a lease basis.

There has been recent development of CBM resources to the north and east of the Hanging Woman prospect. Eleven separate coals have been placed on production, and for the most part are currently in the dewatering phase. Development has been primarily on 80 acre spacing.

### **Geology**

GFA identified 14 individual coals that average five feet or greater in thickness across all or part of the Hanging Woman prospect. They determined average coal depth, thickness, and lateral continuity of these coals. These data are summarized in Table 3. GFA's interpretations show the two shallowest identified coals outcropping nearby to the northeast. For reserves and contingent resources determinations, coals shallower than 300 feet were assumed to be non-commercial. As a result, the two shallowest coals are considered potentially commercial across only a portion of the Hanging Woman prospect. The 12 remaining coals are mapped deeper than 300 feet across the entire 15,194 acres of the original Hanging Woman Unit, and are therefore considered potentially commercial across the entire prospect.

GFA's maps and associated report are provided under separate cover in "Annexure A" to this report

### **Reservoir Properties**

Core data available from the United States Geologic Survey (USGS) were used to determine coal conditions and gas content. The USGS, in cooperation with the Wyoming Reservoir Management Group of the Bureau of Land Management, published two reports: **Coal Quality and Major, Minor, and Trace Elements in the Powder River, Green River, and Williston Basins, Wyoming and North Dakota** (Open-File Report 2007-1116) and **Gas Desorption and Adsorption Isotherm Studies of Coals in the Powder River Basin, Wyoming and Adjacent Basins in Wyoming and North Dakota** (Open-File Report 2006-1174). Included in these reports were analyses done on coal cores from three wells in close proximity to the Hanging Woman prospect. These were the J.M. Huber Remington 58-79-30-07A, Remington 57-79-18-03R, and Remington 58-79-30-01C. A summary of the USGS core work from these wells is presented in Table 4.

### **Reserves Determinations**

Reserves are those quantities which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these

### **Reserves Determinations (continued)**

data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

Reserves determinations were made volumetrically based on the following assumptions:

- Coal thickness and area based on GFA mapping
- Prospect area of 13,280 acres
- Coal density of 1,791 tons per acre-foot
- Gas content (scf per ton) based on nearby coal coring data obtained by the U. S. Geological Survey, adjusted for coal depth for coals not cored
- Ultimate recovery 80% of calculated gas in place

A critical factor in reserves determination is commerciality, as specified under the PRMS. My determination of reserves in the Hanging Woman prospect is based on the following: 1) significant development capital has been expended and dewatering of the Roberts Coal is advanced, 2) gas content of the Roberts Coal is known from nearby core data published by the US Geological Survey, 3) development of similar coals in the Powder River Basin and the costs associated with these developments are well known and relatively straight forward, utilizing well known technologies, 4) there is a reasonable expectation that a market will exist for the expected sales quantities of production required to justify development, 5) the necessary production and transportation facilities are available through the nearby gas compression and pipeline facilities owned by Bitter Creek Pipelines LLC, and 6) legal, contractual, environmental and other social and economic concerns are likely to be met for the actual implementation of the development project.

#### ***Proved***

Proved reserves are those quantities of gas which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves require geologic lateral continuity of the coals, pressure data to confirm continuity of the coals, production data to establish coal permeability and capacity to produce gas, and commerciality of existing operations and planned future development.

There currently is no commercial CBM production within the Hanging Woman prospect, nor is there clearly established commercial production immediately adjacent to Hanging Woman. All reported CBM wells within one mile of the Hanging Woman prospect are summarized in Table 5. Through February 2010, forty five wells have average cumulative production of about 7 mmcf of gas and 176,000 barrels of water from 11 identified coals. The majority of these wells are commingled completions from multiple coals.

As a result of the lack of definitive commerciality, no reserves within the prospect area have been qualified as proven.

## **Reserves Determinations (continued)**

### ***Probable***

Probable reserves are those quantities of gas which analysis of geological and engineering data suggests are more likely than not to be commercially recoverable. There should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated probable reserves.

Within the Hanging Woman prospect, the Roberts Coal has been identified as laterally continuous across the entire prospect and the thickest of all GFA identified coals (27 feet). In addition, the Roberts Coal core in the nearby Nance Remington 57-79-18-03R, located within one mile of the prospect boundary, was the deepest coal studied in the USGS Core Study, and recorded the highest average gas content (97.37 scf/ton) of all coals studied.

There has been a limited amount of development from the Roberts Coal in surrounding areas near the Hanging Woman Prospect. Table 6 is a summary of information from the WOGCC showing there have been 37 wells, in addition to the Kennedy Oil wells, drilled in the northern part of Sheridan County and completed in the Roberts (or Roberts equivalent) Coal since 2001. These wells were drilled by St. Mary Land & Exploration, and Windsor Energy. Cumulative production from these 37 wells has totaled 265 mmcf and 3 million barrels of water through February 2010. For the most part, there are not sufficient production data available to perform reliable decline curve analysis on these wells.

Because of definitive geologic, reservoir, and production data, it is my opinion that CBM gas from the Roberts Coal qualifies as probable reserves. As shown in Table 3, I estimate probable recoverable reserves from the Roberts Coal to be 50,031 mmcf.

### ***Possible***

Possible reserves are those quantities of gas which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. There should be at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves.

Within the Hanging Woman prospect, the average coal thickness cut-off of ten (10) feet was used to differentiate between possible and the less-certain "contingent resources" category. As shown in Table 3, I estimate possible recoverable reserves from the two coals ten feet or more in thickness, the Roland and FG Coals, to be 14,584 mmcf.

### ***Contingent Resources***

Contingent resources are those speculative resources estimated beyond proved, probable, and possible reserves where geologic data suggest the potential for additional reserves, but where the level of proof is insufficient to achieve a "possible reserves" classification.

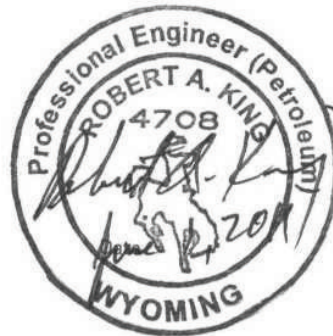
Within the Hanging Woman prospect, all identified coals with thickness between five (5) and ten (10) feet are defined as contingent due to the economic uncertainty of commercial production. Because many of these coals are being produced in adjacent locations (as shown on Table 5), a strong case can be made to classify these reserves as "possible." As shown in Table 3, I estimate contingent resources from the 11 coals between five and ten feet in thickness to be 30,054 mmcf.

### **Conclusions**

1. Fourteen separate coals greater than five feet in thickness have been identified in the 13,280 acre Hanging Woman prospect in Township 57 North, Ranges 79-80 West, Sheridan County, Wyoming. These coals total 128 feet in thickness.
2. Estimated or measured average adsorbed gas in the identified coals is 40.5 scf per ton. The Roberts Coal averages 27 feet in thickness, and based on offset core analysis of 97.4 scf per ton, is the most prospective coal.
3. Kennedy Oil has drilled 30 CBM wells within the prospect area. To date, the wells that have been on production have not de-watered sufficiently to determine gas production capacity.
4. Volumetric analysis of potential reserves in the Hanging Woman prospect shows that there may be 118 bcf of coalbed gas in place, of which approximately 95 bcf may be recoverable. Within the Hanging Woman prospect, 50.0 bcf from the Roberts Coal have been classified as probable reserves, 14.6 bcf from other coals greater than ten feet in thickness have been classified as possible reserves, and 30.1 bcf from coals between five and ten feet in thickness have been classified as contingent resources.

### **Disclaimer**

Conclusions in this evaluation are based on sound engineering practices, but because of variable well conditions and other pertinent engineering information which must be relied upon, no warranty, expressed or implied, as to the accuracy or completeness of the data or of any calculations or opinions herein is made.



## References

- Goolsby, Finley & Associates geologic work
- John Kennedy personal communication
- Wyoming Oil & Gas Conservation Commission
- USGS Open-File Report 2007-1116, **Coal Quality and Major, Minor, and Trace Elements in the Powder River, Green River, and Williston Basins, Wyoming and North Dakota**
- USGS Open-File Report 2006-1174, **Gas Desorption and Adsorption Isotherm Studies of Coals in the Powder River Basin, Wyoming and Adjacent Basins in Wyoming and North Dakota**
- SPE 107308 **Powder River Basin Coalbed Methane Wells – Reserves and Rates**, Swindell, 2007
- **Coalbed Methane in Wyoming**, Wyoming State Geological Survey, 2000
- **Petroleum Resource Management System (PRMS)**, published by the Society of Petroleum Engineers (SPE), American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC) and the Society of Petroleum Evaluation Engineers (SPEE).

REMINGTON (CBNG) UNIT AREA

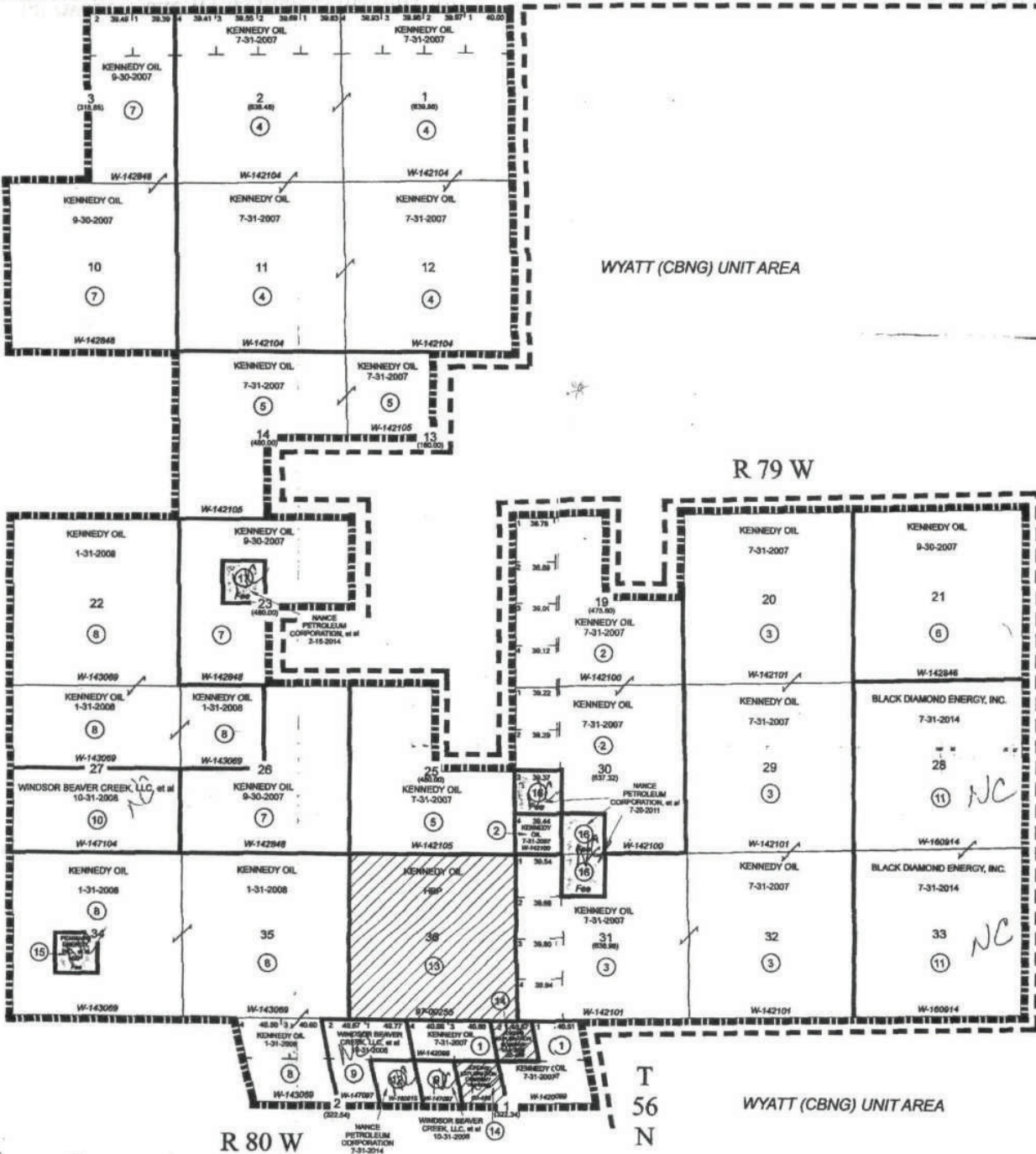
R 80 W

WYATT (CBNG) UNIT AREA

R 79 W

T 57 N

T 57 N



R 80 W

T 56 N

WYATT (CBNG) UNIT AREA




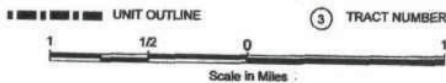
	ACREAGE	PERCENTAGE
 FEDERAL LANDS	14,274.21	93.95%
 STATE LANDS	720.57	4.74%
 PATENTED LANDS	199.37	1.31%
<b>TOTALS</b>	<b>15,194.15</b>	<b>100.00%</b>

EXHIBIT "A"

HANGING WOMAN (CBNG) UNIT A  
SHERIDAN COUNTY, WYOMING



NOTE: UNLESS OTHERWISE NOTED HEREIN THE SECTIONS ON THIS PLAT CONTAIN 640.00 ACRES

RECEIVED  
Nov 18 2005  
Wyoming Department of Transportation  
Map Room

KENNEDY OIL  
DENVER, COLORADO

6076

TABLE 1

**KENNEDY OIL  
HANGING WOMAN ROBERTS CBM COMPLETIONS  
Section 36 T57N R80W  
Sheridan County, Wyoming**

Well Name	Qtr/Qtr	Completion Date	TD, ft.	Cumulative <sup>1</sup>	
				Gas, mcf	Water, bbl
Hanging Woman	4136-5780	8/22/2007	2813		84,851
Hanging Woman State	31-36-5780	10/31/2006	2844		80,705
Hanging Woman	4236-5780	8/24/2007	2894	313	65,611
Hanging Woman State	3236-5780	9/25/2007	2777		65,241
Hanging Woman State	2136-5780	10/28/2006	2804	249	73,824
Hanging Woman St	1136-5780	10/5/2006	2930	658	84,976
Hanging Woman St	2236-5780	10/25/2006	2920		71,180
Hanging Woman State	12-36	12/27/2002	2836		56,221
Hanging Woman State	4336-5780	8/31/2007	2852		65,416
Hanging Woman State	3336-5780	10/7/2006	2930	296	81,571
Hanging Woman State	4436-5780	9/25/2007	2853	278	64,261
Hanging Woman	3436-5780	10/15/2006	2844		65,501
Hanging Woman St	2336-5780	9/30/2006	3020		63,590
Hanging Woman St	1336-5780	10/26/2006	2950	275	84,620
Hanging Woman	2436-5780	10/5/2006	3080	281	80,721
Hanging Woman St	1436-5780	9/22/2007	2992	258	67,240
				2,608	1,155,529

<sup>1</sup> Through February 2010

Source: Wyoming Oil & Gas Conservation Commission

**TABLE 2**  
**KENNEDY OIL**  
**HANGING WOMAN COOK/CANYON CBM COMPLETIONS**  
**Section 36 T57N R80W**  
**Sheridan County, Wyoming**

Well Name	Qtr/Qtr	Completion Date	TD, ft.
Hanging Woman State 4136-C-5780	NENE	10/25/2008	674
Hanging Woman State 3136-C-5780	NWNE	10/23/2008	675
Hanging Woman State 4236-C-5780	SENE	10/29/2008	784
Hanging Woman State 2136-C-5780	NENW	10/2/2007	751
Hanging Woman State 1136-C-5780	NWNW	10/18/2008	817
Hanging Woman State 2236-C-5780	SENE	10/22/2008	904
Hanging Woman State 1236-C-5780	SWNW	10/3/2007	845
Hanging Woman State 4336-C-5780	NESE	10/29/2008	782
Hanging Woman State 3336-C-5780	NWSE	10/20/2008	784
Hanging Woman State 4436-C-5780	SESE	10/30/2008	784
Hanging Woman State 2336-C-5780	NESW	9/28/2007	860
Hanging Woman State 1336-C-5780	NWSW	10/18/2008	817
Hanging Woman State 2436-C-5780	SESW	10/9/2008	923
Hanging Woman State 1436-C-5780	SWSW	9/26/2007	870

Source: Wyoming Oil & Gas Conservation Commission

TABLE 3

**HANGING WOMAN AREA CBM RESERVES AND CONTINGENT RESOURCES**  
Sheridan County, Wyoming

Coal <sup>1</sup>	Avg Depth, Feet <sup>1</sup>	Avg Thickness, Feet <sup>1</sup>	Acres <sup>1</sup>	Acre-Ft	Coal Tons <sup>2</sup>	Gas Content, scf/ton <sup>3</sup>	GIP, mmscf	80% GIP, mmscf	Category
Unnamed 1	513	8	8,321	66,569	119,242,029	7.57	903	722	Contingent Resource
Roland	534	17	11,706	198,999	356,458,232	7.88	2,809	2,247	Possible Reserves
Lower Roland	558	7	13,280	92,960	166,515,530	8.24	1,372	1,098	Contingent Resource
Oedekoven	743	6	13,280	79,680	142,727,597	11.26	1,607	1,286	Contingent Resource
Smith	747	6	13,280	79,680	142,727,597	11.32	1,616	1,293	Contingent Resource
Dietz 1	934	9	13,280	119,520	214,091,395	<b>14.85<sup>4</sup></b>	3,179	2,543	Contingent Resource
Dietz 3	1,061	6	13,280	79,680	142,727,597	18.45	2,633	2,107	Contingent Resource
Monarch	1,118	8	13,280	106,240	190,303,462	<b>19.79<sup>4</sup></b>	3,766	3,013	Contingent Resource
Wall	1,469	5	13,280	66,400	118,939,664	28.98	3,447	2,757	Contingent Resource
Pawnee	1,757	6	13,280	79,680	142,727,597	37.81	5,397	4,317	Contingent Resource
Lower Pawnee	1,929	8	13,280	106,240	190,303,462	43.64	8,305	6,644	Contingent Resource
Unnamed 2	1,964	5	13,280	66,400	118,939,664	44.92	5,343	4,274	Contingent Resource
FG	2,474	10	13,280	132,800	237,879,328	64.83	15,422	12,337	Possible Reserves
Roberts	2,675	27	13,280	358,560	642,274,186	<b>97.37<sup>4</sup></b>	62,538	50,031	Probable Reserves
		<b>128</b>		<b>1,633,407</b>	<b>2,925,857,339</b>	<b>40.49</b>	<b>118,336</b>	<b>94,669</b>	

<sup>1</sup> From Goolsby, Finley & Associates geologic evaluation adjusted to 13,280 acres

<sup>2</sup> Coal density of 1.318 gm/cc = 0.0411 tons/ft<sup>3</sup> = 1791.26 tons/ac-ft

<sup>3</sup> From USGS Open-File Report 2007-1174 desorption data corrected to specific area conditions

<sup>4</sup> From offset core data

**SUMMARY**

Category	Mmcf
Probable Reserves	50,031
Possible Reserves	14,584
Contingent Resources	30,054

**TABLE 4**  
**USGS CORE STUDY RESULTS<sup>1</sup>**  
**HANGING WOMAN AREA**  
**Sheridan County, Wyoming**

	Well		
	Remington 58-79-30-07A	Remington 57-79-18-03R	Remington 58-79-30-01C
<b>Core Hole #</b>	28	29	30
<b>Operator</b>	J.M. Huber	J.M. Huber	J.M. Huber
<b>API #</b>	49-033-23127	49-033-23136	49-033-23131
<b>Location</b>	SW/NE Sec. 30 T58N R79W	NE/NW Sec. 18 T57N R79W	NE/NE Sec. 30 T58N R79W
<b>Date Cored</b>	December 5, 2001	December 8, 2001	December 8, 2001
<b>Core Interval</b>	320'-336'	2190'-2204'	633'-647'
<b>Coal</b>	Anderson* *Dietz 1 (GFA)	Roberts	Canyon* *Monarch (GFA)
<b>SG, g/cc</b>	1.31	1.34	1.31
<b>Avg scf/ton</b>	14.85	97.37	19.79

<sup>1</sup> USGS Open-File Report 2007-1174

**TABLE 5**  
**CBM COMPLETIONS WITHIN ONE MILE OF HANGING WOMAN PROSPECT**  
**Sheridan County, Wyoming**

Location	API #	Well Name	Producing Coals	Cumulative <sup>1</sup>			
				Mcf	BW		
T57N R79W							
Sec. 6	NENW	3326751	Remington 57-79-06-03CK	Anderson, Canyon, Cook	5,106	125,945	
	NESW	3326752	Dome 57-79-06-11CK	Anderson, Canyon, Cook	5	158,907	
	NESE	3326725	WY State 57-79-06-09KB	Pawnee	0	45,266	
	NWNE	3326726	Remington 57-79-06-02KB	Wall, Pawnee, Brewster/Arnold, Upper Nance, Knobloch	19	77,105	
	NWNE	3326720	Remington 57-79-06-02CK	Anderson, Canyon, Cook	64	118,059	
	NESE	3326721	WY State 57-79-06-09CK	Anderson, Cook	4,538	216,674	
	NENW	3326751	Remington 57-79-06-03CK	Anderson, Canyon, Cook	5,106	125,945	
	NESW	3326752	Dome 57-79-06-11CK	Anderson, Canyon, Cook	5	158,907	
	NENW	3327669	Remington 57-79-06-03R-H	Roberts	4,800	47,878	
Sec. 7	NENW	3327670	Remington 57-79-06-03K-H	Kendrick	0	0	
	SWSE	3323137	Remington 57-79-07-15R	Roberts	234	65,730	
	SWSW	3323142	Remington 57-79-07-13R	Roberts	61	69,424	
	NENE	3326722	WY State 57-79-07-01CK	Anderson, Canyon, Cook	59	106,392	
	NENW	3326723	Remington 57-79-07-03CK	Cook	4	167,110	
	NENE	3326724	WY State 57-79-07-01KB	Wall, Pawnee, Brester/Arnold, Knobloch	2	99,315	
	NESW	3326738	Remington 57-79-07-11CK	Anderson, Canyon, Cook	0	170,981	
	NESE	3326740	Dome 57-79-07-09CK	Canyon	18	99,566	
	NESE	3326741	Dome 57-79-07-09KB	Wall, Pawnee, Brewster/Arnold	51	110,539	
	NESW	3326743	Remington 57-79-07-11KB	Wall, Pawnee, Brewster/Arnold	0	18,381	
	NENW	3326748	Remington 57-79-07-03KB	Wall, Pawnee, Brewster/Arnold, Knobloch	10	70,849	
	Sec. 16	NENE	3326739	WY State 57-79-16-01KB	Anderson, Canyon, Wall, Pawnee, Brewster/Arnold	2	23,620
		NESW	3326776	WY State 57-79-16-11KB	Anderson, Wall, Pawnee, Brewster/Arnold	3	62,376
NESE		3326777	WY State 57-79-16-09KB	Anderson, Canyon, Wall, Pawnee, Brewster/Arnold	3	42,719	
NENW		3325810	WY State 57-79-16-03KB	Anderson, Canyon, Wall, Pawnee, Brewster/Arnold	3	79,786	
Sec. 18	NENE	3324103	Remington 57-79-18-01R	Roberts	503	34,069	
	NESW	3326764	Remington 57-79-18-11KB	Anderson, Canyon, Wall, Pawnee, Brewster/Arnold	0	18,312	
	NENW	3323133	Nance 57-79-18-03WIW	Roland	4	53,511	
	SWNE	3323134	Remington 57-79-18-07R	Roberts	20	23,609	
	SWNW	3323135	Remington 57-79-18-05R	Roberts	29	24,935	
	NENW	3323136	Remington 57-79-18-03R	Roberts	106	64,110	
T58N R79W	SWSE	3326715	Dome 57-79-18-15KB	Anderson, Canyon, Wall, Pawnee, Brewster/Arnold	0	11,592	
	Sec. 31	SWNW	3327180	Remington 58-79-31-05CK	Anderson, Canyon, Cook	13,103	175,101
		SWNE	3327181	Remington 58-79-31-07CK	Anderson, Canyon, Cook	35,591	196,911
		NENE	3325664	Remington 58-79-31-01CK	Cook	4,060	458,341
		NENE	3325665	Remington 58-79-31-01A	Anderson	62,565	306,341
		NENW	3325383	Remington 58-79-31-03A	Anderson	27,592	196,351
		NENW	3325385	Remington 58-79-31-03CK	Cook	18,386	746,599
		NESW	3325387	Remington 58-79-31-11A	Anderson	9,491	192,021
NESW		3325390	Remington 58-79-31-11CK	Cook	1,409	258,686	
T58N R80W	NESE	3325623	Federal 58-79-31-09CK	Anderson, Canyon, Cook	102,607	588,868	
Sec. 36	SWNE	3327230	WY State 58-80-36-07CK	Anderson, Canyon, Cook	3,720	108,155	
	NENE	3325000	WY State 58-80-36-01CK	Anderson, Canyon, Cook	5,175	645,463	
	NENW	3325597	WY State 58-80-36-03CK	Anderson, Canyon, Cook	1,825	844,088	
	NESE	3325598	WY State 58-80-36-09CK	Anderson, Canyon, Cook	50	344,543	
	NESW	3325599	WY State 58-80-36-11CK	Anderson, Canyon, Cook	144	372,887	
TOTAL					306,473	7,925,967	

<sup>1</sup> Through Feb. 2010

**TABLE 6**  
**ROBERTS CBM COMPLETIONS**  
**Sheridan County, Wyoming**

Operator	Well Name	Location	Completion Date	TD, Ft.	Cumulative <sup>1</sup>		Comments
					Mcf	BW	
St Mary Land & Expl Co	REMINGTON 57-79-06-03R-H	NENW 6 T57N R79W	3/3/2008	4237	4,800	47,878	horizontal well, 4 laterals
St Mary Land & Expl Co	REMINGTON 57-79-07-13R	SWSW 7 T57N R79W	11/30/2001	2220	61	69,424	
St Mary Land & Expl Co	REMINGTON 57-79-07-15R	SWSE 7 T57N R79W	2/1/2002	2181	234	65,730	
St Mary Land & Expl Co	REMINGTON 57-79-13-11	NESW 13 T57N R79W	8/7/2003	2404	49	9,658	
St Mary Land & Expl Co	REMINGTON 57-79-18-07R	SWNE 18 T57N R79W	1/17/2002	2500	20	23,609	
St Mary Land & Expl Co	REMINGTON 57-79-18-05R	SWNW 18 T57N R79W	12/29/2001	2286	29	24,935	
St Mary Land & Expl Co	REMINGTON 57-79-18-03R	NENW 18 T57N R79W	12/29/2001	2286	106	64,110	
St Mary Land & Expl Co	REMINGTON 57-79-18-01R	NENE 18 T57N R79W	12/10/2002	2412	503	34,069	
St Mary Land & Expl Co	REMINGTON 58-79-28-05R-H	SWNW 28 T58N R79W	3/1/2008	3390	3,550	6,623	horizontal well
St Mary Land & Expl Co	REMINGTON 58-79-28-06K-H	SENW 28 T58N R79W	10/28/2006	3280	10,352	29,783	horizontal well
St Mary Land & Expl Co	REMINGTON 58-79-28-06R-H	SENW 28 T58N R79W	10/28/2006	3138	18,565	12,811	horizontal well
St Mary Land & Expl Co	REMINGTON 58-79-29-02R-H	NWNE 29 T58N R79W	1/30/2008	3740	343	12,753	horizontal well
St Mary Land & Expl Co	REMINGTON 58-79-29-08K-H	SENE 29 T58N R79W	11/21/2006	3865	1,666	43,202	horizontal well
St Mary Land & Expl Co	REMINGTON 58-79-29-13R-H	SWSW 29 T58N R79W	2/4/2008	4018	5,325	21,302	horizontal well
St Mary Land & Expl Co	REMINGTON 58-79-29-08R-H	SENE 29 T58N R79W	11/28/2006	3642	35,756	63,185	horizontal well
St Mary Land & Expl Co	FEDERAL 58-79-33-05K	SWNW 33 T58N R79W	9/7/2005	2455	39,491	81,482	
St Mary Land & Expl Co	REMINGTON 58-79-33-15K	SWSE 33 T58N R79W	3/31/2005	2340	51,603	345,545	
St Mary Land & Expl Co	FEDERAL 58-79-33-13K	SWSW 33 T58N R79W	9/9/2005	2510	27,220	160,238	
St Mary Land & Expl Co	FEDERAL 58-79-33-11K	NESW 33 T58N R79W	8/11/2005	2424	57	133,400	
St Mary Land & Expl Co	REMINGTON 58-79-33-1K	NENE 33 T58N R79W	1/4/2005	2293	985	43,159	
St Mary Land & Expl Co	DOME 58-79-33-07K	SWNE 33 T58N R79W	3/16/2005	2325	59,041	132,935	
St Mary Land & Expl Co	REMINGTON 58-79-33-9K	NESE 33 T58N R79W	10/20/2004	2252	1,841	76,962	
St Mary Land & Expl Co	DOME 58-79-33-03K	NENW 33 T58N R79W	2/22/2005	2350	2,719	76,879	
Windsor Energy Grp LLC	FARMLAND RESERVE 9E-7-56-79	NESE 7 T56N R79W	2/26/2006	3050	49	79,310	
Windsor Energy Grp LLC	FARMLAND RESERVE 9E-8-56-79	NESE 8 T56N R79W	10/22/2006	3055	7	98,117	
Windsor Energy Grp LLC	FARMLAND RESERVE 11E-8-56-79	NESW 8 T56N R79W	10/24/2005	3052	12	203,449	
Windsor Energy Grp LLC	AG RESERVE STATE 11E-9-56-79	NESW 9 T56N R79W	11/6/2005	3008	0	43,252	
Windsor Energy Grp LLC	FARMLAND RESERVE 15E-9-56-79	SWSE 9 T56N R79W	11/3/2005	2996	5	88,392	
Windsor Energy Grp LLC	AG RESERVE STATE 11E-16-56-79	NESW 16 T56N R79W	11/30/2006	2701	0	58,814	
Windsor Energy Grp LLC	AG RESERVE STATE 7E-16-56-79	SWNE 16 T56N R79W	11/10/2005	2884	16	125,557	
Windsor Energy Grp LLC	AG RESERVE STATE 3E-16-56-79	NENW 16 T56N R79W	11/19/2006	2899	35	80,852	
Windsor Energy Grp LLC	AG RESERVE STATE 1E-16-56-79	NENE 16 T56N R79W	9/28/2005	2900	83	102,471	
Windsor Energy Grp LLC	AG RESERVE STATE 13E-16-56-79	SWSW 16 T56N R79W	12/9/2005	2672	93	82,832	
Windsor Energy Grp LLC	AG RESERVE STATE 15E-16-56-79	SWSE 16 T56N R79W	11/19/2005	2715	124	110,991	
Windsor Energy Grp LLC	FARMLAND RESERVE 15E-17 56-79	SWSE 17 T56N R79W	12/16/2005	2655	66	62,743	
Windsor Energy Grp LLC	FARMLAND RESERVE 1E-20 56-79	NENE 20 T56N R79W	12/27/2005	2661	0	16,293	
Windsor Energy Grp LLC	FARMLAND RESERVE 3E-21 56-79	NENW 21 T56N R79W	11/29/2005	2625	93	240,097	
					264,899	2,972,842	

<sup>1</sup> Through February 2010

## Annexure A



JIMMY GOOLSBY-ANDREW FINLEY-WALLY REAVES  
GRAEME FINLEY-JULIA LEMASTER  
SANDY LEOTTA-DANIEL MILLER-DAVID TYLER

GOOLSBY, FINLEY & ASSOCIATES, LLC  
CONSULTANTS TO THE ENERGY INDUSTRY  
1551 UHREE CROWNS DRIVE, SUITE #300  
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July 5, 2011

### **GRP Corporation Limited: Hanging Woman Coal Bed Methane Project Geologic Summary**

#### **Introduction**

Goolsby, Finley and Associates, LLC (GF&A) has been commissioned by GRP Corporation Limited (GRP) to produce a Competent Person's Report (CRP) on the coal bed methane (CBM) geology of the Hanging Woman project.

GRP has entered in a Share Sale Agreement with the shareholders of Cady Energy Pty Ltd (Cady Energy) whereby GRP will obtain 100% of the issued capital of Cady Energy. Cady Energy US Inc, a wholly owned subsidiary of Cady Energy, currently holds the exclusive right to acquire the Hanging Woman project, a CBM project located in the Powder River Basin in Sheridan County, Wyoming in the United States of America from the current license holders of the project (together "Kennedy Oil"). The Hanging Woman project contains 13,280 net acres.

This document is for inclusion in a prospectus that is to be prepared by GRP and lodged with the Australian Securities Investment Commission (ASIC) in July 2011 (Prospectus). The issue will seek to raise \$7 million through the issue of 35 million shares (together with 17.5 million free attaching options) at \$0.20 (on a post consolidation basis). Oversubscriptions of a further 15 million shares (and 7.5 million options on a post consolidation basis) to raise an additional \$3 million may be accepted.



In May 2010, GF&A was tasked with providing Robert A. King, a petroleum engineer, with any geologic data he needed to perform a reserves analysis on the acreage. Individual engineering and geologic reports, dated May 10, 2010 and May 12, 2010 respectively, provide detailed engineering and geologic analysis of the CBM potential of this project.

### **Project Summary**

The Hanging Woman project consists of fourteen wells drilled as dual completions to the Canyon and Cook coals (~ 550 - 750 feet deep) and sixteen wells drilled to the Roberts Coal (~ 2,700 feet deep). Drilling began in 2006. As of March 2011, the Hanging Woman project has produced 4,918 mcf of gas and 1,520,670 barrels of water. All of the gas and the vast majority of the water production is attributed to the Roberts Coal.

As previously stated, Robert A. King performed a reserves analysis of the Hanging Woman acreage. Since production has not yet been established, Mr. King was unable to assign any Proved Reserves (P1). Due to the nearby core of the Roberts Coal, Mr. King was able to assign Probable Reserves (P2) of 50,031 mmcf, Possible Reserves (P3) of 14,584 mmcf and Contingent Resources of 30,054 mmcf.

### **Regional Geology**

The Powder River Basin is a sedimentary basin that was formed during the Laramide Orogeny (mountain building) approximately 75-55 million years ago. The Powder River Basin is an asymmetric basin bordered by the Bighorn Mountains to the west, the Casper Arch and Laramie Range to the South and the Black Hills to the East. The surface rocks of the basin consist primarily of the Tertiary age Wasatch and Fort Union Formations. The Fort Union Formation contains the coal seams that are mined and produce methane in the Powder River Basin.

### **Coal Quality**

The coals of the Powder River Basin are sub-bituminous in rank with BTU values ranging from 8,300 to 8,700. These coals have very low sulfur and ash content.

### **Coal Thickness and Distribution**

The coals of the Powder River Basin are present across nearly the entire basin. Coal thicknesses change dramatically across the basin. Generally, the thickest coals (ie. Wyodak, Anderson, Canyon, etc.) are on the eastern side of the basin and it is here that the coals are shallow enough to be mined. The coal mines of the Powder River Basin are among the most prolific in the world, and the Powder River Basin supplies more coal to the United States than any other region.

The Big George coal is another thick seam that is present at approximately 1,500 feet of depth in the west-central part of the basin. While it is possible to correlate the Big

George in the west back to the Wyodak in the east, they are generally treated as separate entities.

As you move west into the basin, the coal seams are buried deeper and tend to thin and split. The Hanging Woman project is far enough west of the mines that the deep coals are buried to nearly 3,000 feet and there are many thin coals rather than one thick coal. In the Hanging Woman area, there are 11 seams less than 10 feet thick, two that are 10 – 20 feet thick and one that is 25 – 35 feet thick. As a rule of thumb, seams that are less than 20 feet thick are considered secondary targets while seams that are greater than 20 feet thick are primary targets. In the Hanging Woman area, only the Roberts Coal, the 30 foot seam, is a primary target.

The following table comes from the geologic report dated May 22, 2010 and summarizes the coal seams in the Hanging Woman area:

GF&A Name	Kennedy Name	Nance Name	Average Depth	Average Thickness
Unnamed 1	--	--	513	8
Roland	Canyon	Roland	534	17
Lower Roland	Cook	--	558	7
Oedekoven	--	Smith	743	6
Smith	--	--	747	6
Dietz 1	--	Anderson	934	9
Dietz 3	--	Canyon	1061	6
Monarch	--	--	1118	8
Wall	--	Wall	1469	5
Pawnee	--	Pawnee	1757	6
Lower Pawnee	--	Brewster-Arnold	1929	8
Unnamed 2	--	--	1964	5
FG	--	Nance	2474	10
Roberts	Roberts	Roberts	2675	27

GF&A has extensively studied the coals and coal thicknesses in the Hanging Woman project.

### **Development**

The coal seams in the Powder River Basin contain large amounts of water. It is necessary to produce enough water to lower the hydrostatic pressure in the seam in order to be able to produce the methane. It may take more than 2 years to produce enough water to begin methane production, at which point an operator must continue to produce water at high enough rates to prevent the hydrostatic pressure from increasing beyond the threshold for methane production.

When an operator is trying to establish production in an area, they can benefit from surrounding wells. If the surrounding wells are producing water from the same seams, a project area often sees gas production begin sooner than if there aren't any offset wells.

The Hanging Woman project is isolated from other drilling. When Kennedy Oil drilled these wells, they drilled on 40 acre spacing. This means there are 16 wells per section (one section = one square mile). Each coal seam is a separate entity and therefore must be treated as such. It is for this reason that Kennedy Oil drilled Canyon/Cook wells and the Roberts wells separately. As dewatering occurs, it is likely that new wells will be drilled on 80 acre spacing, or eight wells per section.

### **Basis of Opinion and Qualifications**

Goolsby, Finley & Associates, LLC. has a combined experience of over 100 years in all phases of petroleum geology. This experience includes identification, generation and evaluation of prospects, and geological supervision of all phases of development and production. In addition, we have completed several economic analyses to evaluate both prospective and producing properties for acquisition and disposition. The firm has extensive experience in the Northern Rocky Mountain Region.

GF&A has been involved with the Powder River Basin CBM play since 1997. Members of the firm have been involved in all aspects of CBM development ranging from Wyoming Oil and Gas Conservation Commission hearings, to prospect generation and project evaluation. GF&A has been intricately involved in the sale of two major companies in the CBM play.

### **Consent**

Neither GF&A nor those involved in the preparation of this report have any material interest in GRP, or the mineral properties considered in this report. GF&A is remunerated for this report by way of a professional fee determined in accordance to a standard schedule of rates. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

GF&A has given, and has not subsequently withdrawn its permission for the inclusion of this report in the Prospectus in the form and context in which it appears.



Graeme Finley

### **References**

Finley, Graeme. 2010. "Hanging Woman Coal Bed Methane," Unpublished report, Goolsby, Finley and Associates, LLC.

Goolsby, Jimmy and Andrew Finley. 2000. "Correlation of Fort Union Coals in the Powder River Basin, Wyoming: A Proposed New Concept." *Classical Wyoming Geology in the New Millenium*, Wyoming Geological Association.

King, Robert. 2010. "Potential Gas Reserves, Hanging Woman Area CBM, Sheridan County, Wyoming." Unpublished report, Independent Petroleum Engineer.

Stricker, G.D. and M.S. Ellis. 1999. "Coal Quality and Geochemistry, Powder River Basin, Wyoming and Montana." *U.S. Geological Survey Professional Paper 1625-A*, United States Geological Survey.

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**7. INVESTIGATING ACCOUNTANT'S REPORT**



**INVESTIGATING ACCOUNTANTS  
REPORT**

**GRP Corporation Limited (to be  
renamed Cady Energy Limited)**

**6 July 2011**



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Australia

6 July 2011

**The Directors**

**GRP Corporation Ltd (to be renamed Cady Energy Limited)**

**Level 1, 477 Hay Street**

**SUBIACO WA 6008**

Dear Sirs

## **INVESTIGATING ACCOUNTANT'S REPORT**

### **1. Introduction**

We have prepared this Investigating Accountant's Report ("Report") on historical financial information of GRP Corporation Limited (to be renamed Cady Energy Limited) ("GRP" or "the Company") for inclusion in the Prospectus. Broadly, the Prospectus will offer 35 million shares at an issue price of \$0.20 each together with one free attaching option for every two shares issued to raise \$7 million ("the Offer"). This is the minimum subscription. Oversubscriptions of up to a further 15 million shares at an issue price of \$0.20 each together with one free attaching option for every two shares issued to raise a further \$3 million may be accepted.

The attaching options will be issued at no cost with an exercise price of \$0.20 each and an expiry date of 30 September 2014.

The Offer includes a priority offer of up to 10 million shares together with up to 5 million free attaching options exercisable at \$0.20 on or before 30 September 2014 to Shareholders registered as at the Priority Offer Record Date ("Priority Offer").

Expressions defined in the prospectus have the same meaning in this Report.

### **2. Basis of Preparation**

This Report has been prepared to provide investors with information on the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Financial Position and the pro-forma Statement of Financial Position as noted in Appendices 1, 2 and 3.

This Report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, nor the risks associated with the investment, and has been prepared based on the complete Offer being achieved. Neither BDO Corporate Finance (WA) Pty Ltd nor its related entities ("BDO") has been requested to consider the prospects for the Company, the shares on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly has not done so, and does not purport to do so. BDO accordingly takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this Report. Risk factors are set out in the Prospectus.

### **3. Background**

GRP was incorporated on 11 May 2001 and its principle business activities involved property developments in New South Wales for both residential and commercial sectors. It listed on the Australian Securities Exchange (“ASX”) on 21 March 2003. GRP went into voluntary administration in May 2010 and later entered into a deed of company arrangement which saw all the Directors removed, and Migual Laborde, Mark Rowbottam (both current Directors) and Steve Nicols (resigned as a Director on 7 July 2011) were appointed Directors of GRP. GRP’s securities remain suspended.

Cady Energy Pty Ltd (“Cady Energy”) was registered on 13 October 2009 and is based in Perth, Western Australia. In June 2010 Cady Energy, through a 100% owned subsidiary, signed a Sale and Purchase Agreement (“SPA”) with Kennedy Oil to which gave the Company the exclusive right to acquire a coal bed methane project located in the Powder River Basin in Wyoming, USA. The project is known as the Hanging Woman Project.

In March 2011 a share sale agreement was entered into by GRP with Cady Energy to acquire the entire share capital of Cady Energy. On completion of the acquisition, the Company will be renamed “Cady Energy Ltd” and Cady Energy Pty Ltd will be renamed Cady Energy (No.1) Pty Ltd.

### **4. Scope**

You have requested BDO to prepare an Investigating Accountant's Report covering the following financial information:

- GRP’s reviewed statement of Comprehensive Income for the six month period ended 31 December 2010;
- the Statement of Financial Position, Statement of Changes in Equity and the pro-forma Statement of Financial Position as at 31 December 2010 reflecting the actual position as at that date, major transactions between that date and the date of our report and the proposed capital raising under the Prospectus; and
- the accounting policies applied by GRP in preparing its financial statements.

The historical financial information set out in the appendices to this Report has been extracted from the financial statements of the Company for the period 1 July 2010 to 31 December 2010.

The Directors are responsible for the preparation of the historical financial information including determination of the adjustments.

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

- a review of work papers, accounting records and other documents pertaining to balances in existence at 31 December 2010;
- a review of the assumptions used to compile the pro-forma Statement of Financial Position;
- a review of the adjustments made to the pro-forma historical financial information;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the appendices to this Report; and
- enquiry of Directors and others.

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

Our review was limited primarily to an examination of the historical financial information, the pro-forma financial information, analytical review procedures and discussions with both management and directors. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical information or pro-forma financial information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- support by another person, corporation or an unrelated entity has not been assumed;
- the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- the going concern basis of accounting has been adopted.

## **5. Conclusion**

### **Statement on Historical Financial Information**

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the historical financial information as set out in the Appendices to this report does not present fairly the financial performance for the period ended 31 December 2010 or the financial position as at 31 December 2010 in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

### **Statement of Pro-forma Financial Information**

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the pro-forma financial information does not present fairly the financial position of the Company as at 31 December 2010, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions had occurred on that date.

## **6. Subsequent Events**

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

The Pro-forma Statement of Financial Position reflects the following events that have occurred subsequent to the period ended 31 December 2010:

- The issue of 4 million GRP shares to raise \$24,000;
- The consolidation of GRP share capital on a 20:1 basis;
- The acquisition of 100% of the fully paid ordinary shares in the capital of Cady Energy by GRP; and
- The accrual of capital expenditure attributable to the Hanging Woman Project which is to be repaid by Cady Energy per the SPA at approximately US\$35,000 per month from 1

January 2011 to the date of this report, which is approximately US\$210,000 (AUD\$198,300 at an FX rate of A\$/US\$1.059).

## **7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position**

The pro-forma Statement of Financial Position post issue is shown in Appendix 2. This has been prepared based on the reviewed financial statements as at 31 December 2010 and the transactions and events relating to the issue of shares under this Prospectus:

- The issue of 35 million shares at an issue price of \$0.20 cents per share each together with one free attaching option for every two shares issued to raise \$7 million;
- Capital raising costs of the Offer totalling approximately \$300,000 to be offset against contributed equity;
- The repayment of accrued capital expenditure attributable to the Hanging Woman Project since 26 January 2010 which is approximately US\$595,000 (AUD\$561,851 at an FX rate of A\$/US\$1.059); and
- As part of the consideration for the acquisition of the Hanging Woman Project Cady Energy will make a payment of US\$1,550,000 (AUD\$1,463,960 at an FX rate of A\$/US\$1.059) to Kennedy Oil within 30 days of listing on the ASX.

## **8. Disclosures**

BDO Corporate Finance (WA) Pty Ltd is the corporate advisory arm of BDO in Perth.

Neither BDO Corporate Finance (WA) Pty Ltd nor BDO, nor any director or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Consent to the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

**BDO Corporate Finance (WA) Pty Ltd**

BDO  


**Peter Toll**

**Director**

**APPENDIX 1**  
**GRP CORPORATION LTD (TO BE RENAMED CADY ENERGY LTD)**  
**STATEMENT OF COMPREHENSIVE INCOME**

	<b>Reviewed for the period ended 31-Dec-10 \$</b>
<b>Debt forgiveness</b>	<b>1,116,640</b>
<b>Other income</b>	<b>627</b>
<b>Total revenue</b>	<b>1,117,267</b>
<b>Expenses</b>	
<b>Accounting fees</b>	<b>(8,500)</b>
<b>Audit fees</b>	<b>(10,000)</b>
<b>Professional fees</b>	<b>(251,394)</b>
<b>Listing fees</b>	<b>(16,485)</b>
<b>Other expenses</b>	<b>(7,181)</b>
<b>Profit before income tax expense</b>	<b>823,707</b>
<b>Income tax benefit/(expense)</b>	<b>-</b>
<b>Net Profit for the period</b>	<b>823,707</b>

**The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.**

**APPENDIX 2**

**GRP CORPORATION LTD (TO BE RENAMED CADY ENERGY LTD)**

**STATEMENT OF FINANCIAL POSITION**

		<b>Reviewed as at</b>	<b>Subsequent</b>	<b>Pro-forma</b>	<b>Pro-forma</b>
		<b>31-Dec-10</b>	<b>Events</b>	<b>Adjustments</b>	<b>After issue</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	2	84,008	329,990	4,674,189	5,088,187
Other current assets	3	7,778	3,503	-	11,281
<b>TOTAL CURRENT ASSETS</b>		<b>91,786</b>	<b>333,493</b>	<b>4,674,189</b>	<b>5,099,468</b>
<b>NON CURRENT ASSETS</b>					
Exploration expenditure	4	-	4,330,705	1,463,960	5,794,665
<b>TOTAL NON CURRENT ASSETS</b>		<b>-</b>	<b>4,330,705</b>	<b>1,463,960</b>	<b>5,794,665</b>
<b>TOTAL ASSETS</b>		<b>91,786</b>	<b>4,664,198</b>	<b>6,138,149</b>	<b>10,894,133</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	5	48,699	586,347	(561,851)	73,195
<b>TOTAL CURRENT LIABILITIES</b>		<b>48,699</b>	<b>586,347</b>	<b>(561,851)</b>	<b>73,195</b>
<b>TOTAL LIABILITIES</b>		<b>48,699</b>	<b>586,347</b>	<b>(561,851)</b>	<b>73,195</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>43,087</b>	<b>4,077,851</b>	<b>6,700,000</b>	<b>10,820,938</b>
<b>EQUITY</b>					
Contributed equity	6	7,741,035	(3,473,752)	6,700,000	10,967,283
Accumulated losses	7	(7,697,948)	7,551,603	-	(146,345)
<b>TOTAL EQUITY</b>		<b>43,087</b>	<b>4,077,851</b>	<b>6,700,000</b>	<b>10,820,938</b>

The pro-forma Statement of Financial Position after Issue is as per the Statement of Financial Position before Issue adjusted for the transactions relating to the issue of shares pursuant to this Prospectus. The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

**APPENDIX 3**  
**GRP CORPORATION LTD (TO BE RENAMED CADY ENERGY LTD)**  
**STATEMENT OF CHANGES IN EQUITY**

		<b>Reviewed for</b>			
		<b>period ended</b>	<b>Subsequent</b>	<b>Pro-forma</b>	<b>Pro-forma</b>
		<b>31-Dec-10</b>	<b>Events</b>	<b>Adjustments</b>	<b>After issue</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 1 July 2010</b>		<b>(8,521,655)</b>	-	-	<b>(8,521,655)</b>
Comprehensive income for the period					
<b>Profit/(Loss) for the period</b>	<b>7</b>	<b>823,707</b>	<b>7,551,603</b>	-	<b>8,375,310</b>
<b>Total comprehensive income for the period</b>		<b>823,707</b>	<b>7,551,603</b>	-	<b>8,375,310</b>
Transactions with equity holders in their capacity as equity holders					
<b>Contributed equity, net of transaction costs</b>	<b>6</b>	<b>7,741,035</b>	<b>(3,473,752)</b>	<b>6,700,000</b>	<b>10,967,283</b>
<b>Total transactions with equity holders</b>		<b>7,741,035</b>	<b>(3,473,752)</b>	<b>6,700,000</b>	<b>10,967,283</b>
<b>Balance</b>		<b>43,087</b>	<b>4,077,851</b>	<b>6,700,000</b>	<b>10,820,938</b>

**The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.**

## **APPENDIX 4**

### **GRP CORPORATION LTD (TO BE RENAMED CADY ENERGY LTD)**

#### **NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION**

##### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

###### **(a) Basis of preparation of historical financial information**

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ("AIFRS"), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal groups held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

###### **(b) Going Concern**

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the Company being able to raise additional funds as required to meet ongoing commitments and for working capital. The Directors may need to raise additional capital or realise assets as required to further explore and evaluate the current opportunities. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the Company be unsuccessful in undertaking additional raisings or realising assets, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

###### **(c) Reporting Basis and Conventions**

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### **(d) Income Tax**

The income tax expense or benefit (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### **(e) Cash and Cash Equivalents**

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

#### **(f) Trade and other receivables**

Trade receivables are recognised as the amount receivable and are due for settlement no more than 120 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

**(g) Revenue Recognition**

Revenues are recognised at fair value of the consideration received net of the amount of GST.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

**(h) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

**(i) Trade and Other Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days of recognition.

**(j) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(l) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure, including costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore the area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- I. The expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- II. Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, and accumulated costs in respect of that area are written off in the financial period the decision is made.

#### **(m) Impairment of assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **Financial Assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

## Non-Financial Assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

### (n) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

#### Plant & Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	over 2 to 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

### (o) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

## **(p) Financial Instruments**

### **Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

### **Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

## **(q) Employee Benefits**

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the statement of financial position date are recognised in respect of employees' services rendered up to statement of financial position date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the statement of financial position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## **(r) Capital restructure**

On 6 July 2011 the shareholders of GRP approved the transaction to acquire all of the outstanding shares of Cady Energy. As consideration for the transaction Cady Energy will obtain a controlling interest in GRP which equates to a controlling interest in the combined entity. As GRP has been in administration and is no longer a continuing business it fails the business test under AASB 3 Business Combinations. The transaction has therefore been treated as a share based payment under AASB 2 Share Based Payments, whereby Cady Energy is deemed to have issued shares in exchange for the net assets and listing status of GRP.

As the deemed acquirer, Cady Energy has acquisition accounted for GRP as at 31 December 2010. The impact on the equity has been discussed at Note 6 and Note 8.

	Reviewed 31-Dec-10	Pro-forma After issue
<b>NOTE 2. CASH AND CASH EQUIVALENTS</b>	\$	\$
<b>Cash &amp; cash equivalents</b>	<b>84,008</b>	<b>5,088,187</b>
Adjustments arising from the pro-forma cash balance are summarised as follows:		
<b>Reviewed balance of GRP at 31 December 2010</b>		<b>84,008</b>
Subsequent events:		
<b>Issue of 4 million GRP shares</b>		<b>24,000</b>
<b>Acquisition of Cady Energy</b>		<b>305,990</b>
		<b>329,990</b>
Pro-forma adjustments:		
<b>Proceeds from shares issued under this Prospectus</b>		<b>7,000,000</b>
<b>Capital raising costs</b>		<b>(300,000)</b>
<b>Repayment of accrued capital expenditure to Kennedy Oil</b>		<b>(561,851)</b>
<b>Consideration of US\$1,550,000 in cash to Kennedy Oil</b>		<b>(1,463,960)</b>
		<b>4,674,189</b>
<b>Pro-forma Balance</b>		<b>5,088,187</b>

	Reviewed 31-Dec-10	Pro-forma After issue
<b>NOTE 3. OTHER CURRENT ASSETS</b>	\$	\$
<b>Other current assets</b>	<b>7,778</b>	<b>11,281</b>
Adjustments arising from the pro-forma other current assets balance are summarised as follows:		
<b>Reviewed balance of GRP at 31 December 2010</b>		<b>7,778</b>
Subsequent events:		
<b>Acquisition of Cady Energy</b>		<b>3,503</b>
		<b>3,503</b>
<b>Pro-forma Balance</b>		<b>11,281</b>

	Reviewed 31-Dec-10	Pro-forma After issue
	\$	\$
<b>NOTE 4. EXPLORATION EXPENDITURE</b>		
<b>Exploration expenditure</b>	-	5,794,665
Adjustments arising from the pro-forma exploration expenditure balance are summarised as follows:		
<b>Reviewed balance of GRP at 31 December 2010</b>		-
Subsequent events:		
<b>Acquisition of Cady Energy</b>		4,132,405
<b>Accrual of capital expenditure on Hanging Woman Project</b>		198,300
		<u>4,330,705</u>
Pro-forma adjustments:		
<b>Consideration of US\$1,550,000 in cash to Kennedy Oil</b>		1,463,960
		<u>1,463,960</u>
<b>Pro-forma Balance</b>		<u>5,794,665</u>

	Reviewed 31-Dec-10	Pro-forma After issue
	\$	\$
<b>NOTE 5. TRADE &amp; OTHER PAYABLES</b>		
<b>Trade &amp; other payables</b>	48,699	73,195
Adjustments arising from the pro-forma trade & other payables balance are summarised as follows:		
<b>Reviewed balance of GRP at 31 December 2010</b>		48,699
Subsequent events:		
<b>Acquisition of Cady Energy</b>		388,047
<b>Accrual of capital expenditure on Hanging Woman Project</b>		198,300
		<u>586,347</u>
Pro-forma adjustments:		
<b>Repayment of accrued capital expenditure to Kennedy Oil</b>		(561,851)
		<u>(561,851)</u>
<b>Pro-forma Balance</b>		<u>73,195</u>

	<b>Reviewed 31-Dec-10</b>	<b>Pro-forma After issue</b>
<b>NOTE 6. CONTRIBUTED EQUITY</b>	<b>\$</b>	<b>\$</b>
<b>Contributed equity</b>	<b>7,741,035</b>	<b>10,967,283</b>
	<b>Number of shares</b>	<b>\$</b>
Adjustments arising from the pro-forma contributed equity balance are summarised as follows:		
<b>Fully paid ordinary share capital at 31 December 2010</b>	<b>197,213,444</b>	<b>7,741,035</b>
Subsequent events:		
<b>Issue of 4 million GRP shares</b>	<b>4,000,000</b>	<b>24,000</b>
<b>Total GRP shares on issue prior to consolidation</b>	<b>201,213,444</b>	<b>7,765,035</b>
<b>Consolidation of GRP share capital on 20:1 basis</b>	<b>10,060,672</b>	<b>-</b>
<b>Acquisition of Cady Energy</b>	<b>90,000,000</b>	<b>(3,497,752)</b>
	<b>100,060,672</b>	<b>(3,473,752)</b>
Pro-forma adjustments:		
<b>Proceeds from shares issued under this Prospectus</b>	<b>35,000,000</b>	<b>7,000,000</b>
<b>Capital raising costs</b>	<b>-</b>	<b>(300,000)</b>
	<b>35,000,000</b>	<b>6,700,000</b>
<b>Pro-forma Balance</b>	<b>135,060,672</b>	<b>10,967,283</b>

<b>Options on issue at completion of Offer</b>	<b>Number</b>
<b>Options exercisable at \$0.20 on or before 30 September 2014</b>	<b>11,250,000</b>
<b>Options exercisable at \$0.20 on or before 30 September 2014</b>	<b>17,500,000</b>
<b>Total options on issue at completion of Offer</b>	<b>28,750,000</b>

	<b>Reviewed 31-Dec-10</b>	<b>Pro-forma After issue</b>
<b>NOTE 7. ACCUMULATED LOSSES</b>	<b>\$</b>	<b>\$</b>
<b>Accumulated losses</b>	<b>(7,697,948)</b>	<b>(146,345)</b>
Adjustments arising from the pro-forma accumulated losses balance are summarised as follows:		
<b>Reviewed balance of GRP at 31 December 2010</b>		<b>(7,697,948)</b>
Subsequent events:		
<b>Acquisition of Cady Energy</b>		<b>7,551,603</b>
		<b>7,551,603</b>
<b>Pro-forma Balance</b>		<b>(146,345)</b>

**NOTE 8: CAPITAL RESTRUCTURE**

A summary of the acquisition details with respect to the Cady Energy acquisition as included in our report is set out below. These details have been determined for the purposes of the pro-forma adjustments as at 31 December 2010. The transaction has been treated as a share based payment under AASB 2 Share Based Payments, whereby Cady Energy is deemed to have issued shares in exchange for the net assets and listing status of GRP.

The purchase consideration consists of 90 million GRP shares which represents approximately 90% of the combined entity after the acquisition. In valuing the consideration we must obtain the fair value of the GRP shares immediately prior to the acquisition. We cannot rely on GRP's current share price due to these shares currently being suspended. Neither can we rely on the anticipated listing price of \$0.20 for the combined entity as this does not reflect the value prior to the acquisition. In this case the most reliable measure is the net asset value of GRP at the date of acquisition, being \$67,087.

Details of the net assets acquired and consideration are as follows:

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	108,008
Other current assets	7,778
Trade and other payables	(48,699)
<b>Net identifiable assets</b>	<b>67,087</b>
<b>Purchase consideration comprises</b>	
Equity instruments issued	67,087

**NOTE 9: RELATED PARTY DISCLOSURES**

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

- 1) As part of the SPA signed with Kennedy Oil, Cady Energy shall be responsible for the payment of capital expenditures, operating expenditures and related accounts payable attributable to the Hanging Woman Project, but not to exceed US\$35,000 per month, which have accrued subsequent to 26 January 2010. This shall continue until the listing of the Company on the ASX.
- 2) Under the SPA, Cady Energy must also fulfil the following obligations referred to as the Minimum Agreed First Year Work Program:
  - Drill a minimum of two wells in Federal Leases WYW142101 and WYW142100 to retain these leases (Cost approximately = US\$500,000);
  - Collect core from at least one of the wells planned to be drilled in the Federal Leases and perform analysis to determine the gas content, gas saturation and permeability (Cost approximately = US\$100,000);
  - If core analysis proves to be encouraging then enter into arrangements to expand land position covering the Roberts coal play (Cost approximately = US\$50,000);
  - Ongoing operating expenditure (Cost approximately = US\$300,000);

- If existing Roberts wells show gas at potentially commercial rates then drilling program will be expanded; and
  - Immediately apply for a minimum of 7 APD's (Cost approximately = US\$150,000).
- 3) The following two payments are required in order to complete the purchase of the Hanging Woman Project:
- Within 30 days of the expiration of the period allowed for the Company's performance of the Minimum Agreed First Year Work Program a payment of either US\$2,000,000, or the equivalent value of Shares at the listing price, to be decided by Kennedy Oil; and
  - Within 30 days of the first shipment to market of commercial natural gas produced from the Properties a payment of either US\$3,000,000, or the equivalent value of Shares at the listing price, to be decided by Kennedy Oil.
- 4) The Company has entered into a consultancy agreement with Angel's Wish Pty Ltd ATF Angel's Wish Trading Trust ("AWPL") pursuant to which AWPL agrees to provide the services of Stephen Quantrill as Managing Director and Chief Executive Officer. As part of the terms and conditions of the agreement, and subject to Shareholder and ASX approval, the Company has agreed to issue to AWPL the following performance shares:
- (i) 2 million performance shares to vest on 1 July 2012;
  - (ii) 2 million performance shares to vest on 1 July 2013; and
  - (iii) 3 million performance shares to vest on 1 July 2014,

The terms of the Performance Shares will convert into Shares on a 1:1 basis upon satisfaction of various performance milestones which have not been determined at the date of this Prospectus. Subject to Shareholder approval, the Company may issue Shares in lieu of Performance Shares in the proportions, and on the respective vesting dates, as set out above.

At the date of the report no other material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

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**8. SOLICITOR'S REPORT ON THE HANGING WOMAN PROJECT**

Brown, Drew & Massey LLP  
159 N. Wolcott, Suite 200  
Casper, WY 82601-7009  
307-234-1000  
307-265-8025 (FAX)

## **Tenure Report**

### **Background**

This tenure report (the "Report") is prepared for inclusion in a Prospectus issued by GRP Corporation Limited ("GRP") for the offer of 35,000,000 Shares at \$0.20 each together with one (1) free attaching Option exercisable at \$0.20 on or before 30 September 2014 for every two (2) Shares issued to raise \$7,000,000 (Offer). Oversubscriptions of up to a further 15,000,000 Shares at \$0.20 each together with one (1) free attaching Option exercisable at \$0.20 on or before 30 September 2014 for every two (2) Shares issued to raise a further \$3,000,000 may be accepted.

GRP has entered into a Share Sale Agreement with the shareholders of Cady Energy Pty Ltd (Cady Energy), whereby GRP will obtain 100% of the issued capital of Cady Energy.

Cady Energy and its wholly owned subsidiary, Cady Energy US Inc (the "Companies"), have entered into a Sale and Purchase Agreement (the "SPA") with Kennedy Oil and M. John Kennedy (the "Vendors") pursuant to which the Vendors granted an exclusive right to earn 100% interest in the Hanging Woman (CBNG) Unit Area (the "Project Area"), located in the United States in the State of Wyoming.

### **Limitations of Report**

The Report is prepared solely for the benefit of GRP and is not to be relied upon by any other party for any other purpose.

In preparing this Report we have relied on certain public and private information, to wit:

1. Leasehold Status Report, prepared by Fitzsimmons, LLC, Gillette, Wyoming, covering Leases described on Exhibit A-1 through June 3, 2010.
2. The Tract Index and recorded instruments in office of the County Clerk, Sheridan County, Wyoming. This examination covered the period of time from June 1, 2010 to May 12, 2011 at 5: 00 p.m.

3. Examination of the records of the Wyoming State Office, Bureau of Land Management, Cheyenne, Wyoming. This examination covered the period of time from June 1, 2010 to March 9, 2011. This examination covered the leases issued by the United States of America.
4. Examination of the records in the Office of State Lands and Investments, State of Wyoming. This examination covered the period of time from June 1, 2010 to March 8, 2011. This examination covered the leases issued by the State of Wyoming.
5. Sale and Purchase Agreement (SPA) among Cady Energy Pty Ltd, Cady Energy US Inc, Kennedy Oil and M. John Kennedy, executed on 11<sup>th</sup> June, 2010. Variation to the SPA, executed on 20<sup>th</sup> October, 2010.
6. Schedule of annual rental payments on a lease basis.

Except as noted below, based on the foregoing public and private information, there have been no changes in the Exhibit A-1 to the SPA insofar as the interests of Kennedy Oil or M. John Kennedy are concerned. For the State of Wyoming Lease, Serial No. 97-00255, the Record Title Owner and Working Interest (Operating Rights) Owner is now Kennedy Oil.

I am licensed to practice law in the State of Wyoming and am qualified to give legal advice on Wyoming Law and Federal Law. The discussion of Wyoming Law and Federal Law is for information purposes only and is not to be relied upon as legal advice or as a legal opinion.

Neither Brown, Drew & Massey, LLP nor those involved in the preparation of this report have any material interest in GRP, or the mineral properties considered in this report. Brown, Drew & Massey, LLP is remunerated for this report by way of a professional fee to be determined in accordance to a standard schedule of rates. Payment of fees and expenses is in no way contingent upon the conclusions drawn in the report.

Brown, Drew & Massey, LLP has given, and has not subsequently withdrawn its permission for the inclusion of this report in the Prospectus in the form and context in which it appears.

This report is limited to oil and gas law applicable to onshore properties located in the United States in the State of Wyoming.

#### **Summary of Legislative Regime Applicable to the Project Area**

*This summary is not intended as an exhaustive discussion of applicable United States and Wyoming law, nor is it intended to represent legal advice or a legal opinion.*

In the United States, the extraction of oil and gas is generally regulated by the individual states through statutes and common law. Federal and constitutional laws apply as well.

Extensive federal, state and local environmental laws and regulations in the United States affect all of the operations applicable to the Project Area. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. Significant liability could be imposed on the Companies or Vendors for damages, clean up costs or penalties in the event of certain discharges into the environment or non compliance with environmental laws or regulations.

The following are brief summaries of the major environmental statues applicable to oil and gas development:

National Environmental Policy Act (NEPA). Enacted in 1970, NEPA established a national policy to encourage productive and enjoyable harmony between man and his environment and to promote the prevention and elimination of damage to the environment and biosphere. At the core of NEPA is the requirement that environmental impact statements (EISs) be prepared for all major federal agency actions significantly affecting the human environment. For more information on “major” actions and other NEPA issues, see the NEPA section on the Environmental Protection Agency (EPA) website.

Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA). CERCLA, commonly known as Superfund, provides broad federal authority to respond directly to releases or threatened releases of hazardous substances that may endanger public health or the environment. CERCLA established prohibitions and requirements concerning closed and abandoned hazardous waste sites, provided for liability for persons responsible for releases of hazardous waste at these sites, and established a trust, funded by a tax on the chemical and petroleum industries, to provide cleanup when no responsible party could be identified.

Clean Water Act (CWA). The Clean Water Act was established to restore and maintain the chemical, physical and biological integrity of the nation’s waters. The CWA aims to protect water quality through development of water quality standards, anti-degradation policies, water quality permitting procedures, water body monitoring and assessment programs, and elimination of point and nonpoint pollution sources. The CWA regulates the National Pollutant Discharge Elimination System (NPDES) permitting process, which establishes, through a permit, pollutant limits on the discharge of produced water that generally include a volume (quantity) and concentration (quality). Pollutants under the NPDES program fall into one of three categories: conventional, toxic, and non-conventional. There are two types of permits under the NPDES program that allow for the discharge of pollutants from point sources. These are individual permits, which are specific to an individual facility, and general permits, which cover multiple facilities within a specific category.

Clean Air Act (CAA). Congress passed the CAA in 1970 in order to combat air pollution in the United States and protect the health and general welfare of United States citizens against air pollutants. The act prescribes the measures that federal agencies, state and local governments, and polluters in business and industry must take in order to decrease air pollution in the country. This act was last amended in 1990.

Also in the United States, oil and gas rights in a particular tract may be owned by private individuals, corporations, Indian tribes or by local, state or federal governments. Oil and gas rights extend vertically downward from the property line. Although oil and gas laws vary by state, the laws regarding ownership prior to, at and after extraction are nearly universal. An owner of real estate also owns the minerals underneath the surface, unless the minerals are severed under a previous deed or an agreement.

In the United States, energy is regulated extensively through the United States Department of Energy. Domestic natural gas markets are regulated in part by the Federal Energy Regulatory Commission ("FERC"). FERC's chief area of concern is the interstate natural gas market. Natural gas moves for the most part by pipeline in the United States. The safety of those pipelines is the concern of the Department of Transportation's Office of Pipeline Safety.

In Wyoming the Oil and Gas Conservation Commission ("OGCC") has primary statutory responsibility for the regulation and conservation of oil, gas and other natural resources. The OGCC objectives are: to conserve oil, gas and related resources; to regulate the exploration and production of oil, gas and other hydrocarbons; and to protect public safety and the State's environment from oilfield waste, including regulation of underground injection and disposal practices.

The OGCC administers a regulatory program to prevent waste of oil and gas and the drilling of unnecessary wells; protects individual property rights' and conserves the state's natural resources in a geologically-approved manner.

The Wyoming Department of Transportation and Development regulates state and local roads that may be used or created in operations related to the Project Area.

Mineral rights are real property rights under Wyoming law and may be owned, conveyed, reserved or inherited separately from other elements. Basic mineral rights under Wyoming law include the mineral ownership, the mineral royalty and the mineral lease. Ownership of land may not include ownership of oil, gas and other liquid or gaseous minerals. The mineral owner has the exclusive right to explore and develop his property for the production of such minerals and to reduce them to possession and ownership.

Generally, an oil and gas company (the "Lessee") leases the mineral rights from the owner (the "Lessor"). Major points in a lease include the description of the property, the term (duration), and the payments to the Lessor. Lessees of mineral rights have a right of reasonable access to

leased land to explore, develop and transport minerals, unless the lease specifies otherwise. A lease remains in effect for a certain period of time, called the primary term, as long as the Lessee pays the annual rent. For a lease with an annual rental requirement, rentals must be paid annually on or before the anniversary date of the lease. (The modern private lease used is a prepaid lease with no unpaid rental.) The lease expires at the end of the primary term, unless the Lessee is drilling over the term or oil and gas production has started on the lease. For leases issued by the United States, drilling over the term results in a two (2) year extension of the lease. If production is established, the lease will remain in effect past the primary term (the "extended term") for as long as the lease continuously produces oil or gas or there are continuous drilling operations. In the Coal Bed Methane context dewatering of wells is considered a production activity. In the event of an extension there is no requirement to relinquish a percentage of the leasehold interest or any part of the lease lands.

Payments to the Lessor typically take three forms: bonus, rental and royalty. The bonus is an up-front payment made at the time the lease takes effect. The rental is an annual payment, usually made until such time as the property begins producing oil or gas in commercial quantities. The royalty is a portion of the value of any oil or gas produced from the lease.

In Wyoming, the OGCC classifies wells as either oil or gas wells depending upon the nature of the hydrocarbons in the reservoir. This is determined by various tests and analyses. Classification can be important for such things as lease maintenance questions such as the size of the declared unit that may be formed by the lessee or whether shut-in payments can be made to maintain the lease; and, for royalty paying purposes where different royalty provisions exist for oil and gas.

The State of Wyoming regards pooling or unitization of oil and gas reservoirs in Wyoming as a critical activity achieved by industry and state government working together, important to mineral rights owners because of the economic gain once a well is produced. At the request of an applicant or operator, an oil or gas unit is established for a sand, a zone, or a shale formation. The purpose of unitization as viewed by the State of Wyoming is to allow maximal recovery of the resource, prevent drilling unnecessary wells and protect the rights of the mineral owners.

### **Environmental or Native Title Issues Affecting the Project Area**

So far as we are aware there are no environmental or land rights issues affecting the Project Area. However, under the laws of the United States and the State of Wyoming all oil and gas operations must be carried out in accordance with the laws and regulations of the Bureau of Land Management, an agency of the Department of the Interior and the OGCC. These laws and regulations are subject to change at the discretion of the United States and the State of Wyoming.

### **Pending, Threatened or Actual Litigation**

So far as we are aware there are no pending, threatened or actual litigations affecting the Project Area.

### **Sale and Purchase Agreement and Variation to the SPA between the Companies and Kennedy Oil and M. John Kennedy**

The Companies have entered into a Sale and Purchase Agreement, dated June 11, 2010, as amended by a Variation, dated October 20, 2010 (the "SPA") with the Vendors pursuant to which the Vendors granted Cady Energy US Inc. an exclusive right to earn 100% interest in the Hanging Woman (CBNG) Unit Area Project Area. Generally, under the SPA the transfer of the rights to the Project Area occurs upon completion of the following described events:

1. GRP shall reimburse the Vendors' operating expenses and capital expenditures attributable to the Project, not to exceed U.S. \$35,000.00 per month, for the period from January 26, 2010, to GRP's re-admission date and all operating expenses and capital expenditures thereafter.
2. Within thirty (30) days of the listing of GRP's shares on the Australian Securities Exchange, the payment to the Vendors of the sum of U.S. \$1,550,000.00.
3. GRP shall have (a) completed the Minimum Agreed Work Program, as described below, (b) paid Vendors either the sum of U.S. \$2,000,000.00 or at Vendors' option issue the equivalent in value of GRP's shares, and (c) requested Assignments of the Leases described on Exhibit A-1.

#### Minimum Agreed Work Program.

The Minimum Agreed Work Program provided for in the SPA consists of the following, to wit:

1. Drill a minimum of two (2) wells on USA Leases WYW-142100 and WYW-142101.
2. Collect core from at least one (1) of the above-referenced wells and perform analysis to determine gas content, gas saturation and permeability.
3. If the core analysis is encouraging, then enter in arrangements to expand the land position covering the Roberts coal.
4. Apply for a minimum of seven (7) Applications for Permits to Drill (APD's) for USA Leases WYW-142099, WYW-142104, WYW-142405, WYW-142846, WYW-142848, WYW-143069, and WYW-160915.

Leasehold Requirements: Companies shall have to drill five USA leases, WYW-142100, WYW-14201, WYW-142104, WYW-142105 and WYW-142848 before December 5, 2011, in order to maintain these leases. Four USA Leases, WYW-142099, WYW-142846, WYW-143069, and WYW-160915 were subject to a one year suspension of operations, and, therefore, the first three listed have been extended to December 5, 2012. The latter has been extended to 31 July 2015. Attached as Exhibit B is the Hanging Woman Lease Rentals Schedule.

## **Material Risks**

In common with other companies operating in the oil and gas industry sector the GRP and the Companies are engaged in activities that involve a high degree of risk. Material risks that may affect GRP and the Companies include:

Development and Operational Risks – GRP and the Companies will be exposed to general exploration and development risks. The production phase by its nature also involves significant risks and hazards, including environmental hazards, industrial hazards, industrial incidents, labor disputes, discharge of toxic chemicals, fire, flooding and other occurrences outside the control of GRP and the Companies.

Oil and gas drilling is speculative – Drilling oil and gas wells by its nature is highly speculative, may be unprofitable and may result in a total loss of the investments made by GRP and the Companies. In particular, completed wells may never produce oil or gas, or may not produce sufficient quantities or qualities of oil and gas to be profitable or commercially viable.

Requirements for Permits and Licenses – The operations of GRP and the Companies require licenses, permits and in some cases renewals of existing licenses and permits from various governmental authorities. However, the ability of GRP and the Companies to obtain, sustain or renew such licenses and permits on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable regulatory authorities.

Commitments associated with the Leases - In order to maintain the leases listed in Exhibit A-1, GRP, the Companies and the Vendors (while they remain holders of the leases) must pay all rentals due and in order to extend the lease beyond the 10 year expiry date must drill on the leases to hold them.

Increases in drilling costs and the availability of drilling equipment – The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development would affect the ability of GRP and the Companies to invest in the Project Area and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world. The reduced availability of equipment and services may delay or prevent its ability to exploit reserves and adversely affect GRP's and the Companies' operations and profitability.

Environmental Risks – GRP and the Companies' operations are subject to the environmental risks inherent in the exploration and production industry. There are certain risks inherent to the activities of GRP and the Companies, such as accidental spills, leakages or other circumstances that could subject GRP and the Companies to extensive liability.

Tenure Report for GRP Corporation Limited  
July 21, 2011

Decommissioning costs – GRP and the Companies shall be responsible for costs associated with plugging and abandoning and reclaiming wells, facilities and pipelines which it may use for production of oil and gas.

The risks above do not necessarily comprise all those faced by GRP and the Companies and are not intended to be presented in any assumed order of priority.

Respectfully Submitted,

BROWN, DREW & MASSEY, LLP

By:



**FORMER HANGING WOMAN (CBNG) UNIT  
Exhibit A-1; provided by Fitzsimmons, LLC**

PROSPECT	LEASE#	LESSOR	LESSEE	T/R SEC	1/4/14	GROSS AC.	NET AC.	EFF. DATE	EXP. DATE	Record Title Owner	%	Working Interest (Operating Rights)	%	Overriding Royalty	%	NRI	Original Lessee
HANGING WOMAN	WYW-142099	BLM	KENNEDY OIL	58-80	1	201.77	201.77	8/1/1997	Extended to 5 Dec 2012	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100%	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100.00%	16.50% (Kennedy family holds 3% of this royalty)	83.50%	M. John Kennedy	
HANGING WOMAN	WYW-142100	BLM	KENNEDY OIL	57-79	19	1033.75	1033.75	8/1/1997	Extended to 5 Dec 2011	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100%	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100%	16.50% (Kennedy family holds 3% of this royalty)	83.50%	M. John Kennedy	
HANGING WOMAN	WYW-142101	BLM	KENNEDY OIL	57-79	20	2518.96	2518.96	8/1/1997	Extended to 5 Dec 2011	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100%	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100.00%	16.50% (Kennedy family holds 3% of this royalty)	83.50%	M. John Kennedy	
HANGING WOMAN	WYW-142104	BLM	KENNEDY OIL	57-80	1	2558.34	2558.34	8/1/1997	Extended to 5 Dec 2011	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100%	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100.00%	16.50% (Kennedy family holds 3% of this royalty)	83.50%	M. John Kennedy	
HANGING WOMAN	WYW-142105	BLM	KENNEDY OIL	57-80	13	1120.00	1120.00	8/1/1997	Extended to 5 Dec 2011	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100%	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100.00%	16.50% (Kennedy family holds 3% of this royalty)	83.50%	M. John Kennedy	
HANGING WOMAN	WYW-142846	BLM	KENNEDY OIL	57-79	21	640.00	640.00	10/1/1997	Extended to 5 Dec 2012	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100%	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100.00%	16.50% (Kennedy family holds 3% of this royalty)	83.50%	M. John Kennedy	
HANGING WOMAN	WYW-142948	BLM	KENNEDY OIL	57-80	3	1878.85	1878.85	10/1/1997	Extended to 5 Dec 2011	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100%	Kennedy Oil 700 W. 6th St. Gillies, WY 82716	100.00%	16.50% (Kennedy family holds 3% of this royalty)	83.50%	M. John Kennedy	





**EXHIBIT B**  
**Hanging Woman Lease Rentals Schedule**

<u>Lessor</u>	<u>Serial No.</u>	<u>Acres</u>	<u>\$</u>	<u>Total</u>	<u>Pay Date</u>	<u>Due Date</u>	<u>Expires</u>	
State of Wyo	97-00255	640	\$2.00	\$ 1,280.00	9/1/2011	01-Jul-11	HBP	Minimum Royalties
MMS - Federal	WYW 142099	202	\$2.00	\$ 404.00	1-Jun-11	1-Aug-11	12/5/2011	suspended
MMS - Federal	WYW 142100	1034	\$2.00	\$ 2,068.00	1-Jun-11	1-Aug-11	12/5/2011	
MMS - Federal	WYW 142101	2519	\$2.00	\$ 5,038.00	1-Jun-11	1-Aug-11	12/5/2011	
MMS - Federal	WYW 142104	2559	\$2.00	\$ 5,118.00	1-Jun-11	1-Aug-11	12/5/2011	
MMS - Federal	WYW 142105	1120	\$2.00	\$ 2,240.00	1-Jun-11	1-Aug-11	12/5/2011	
MMS - Federal	WYW 142846	640	\$2.00	\$ 1,280.00	1-Aug-11	1-Oct-11	12/5/2011	suspended
MMS - Federal	WYW 142848	1879	\$2.00	\$ 3,758.00	1-Aug-11	1-Oct-11	12/5/2011	
MMS - Federal	WYW 142849	1320	\$2.00	\$ 2,640.00	1-Aug-11	1-Oct-11	12/5/2011	
MMS - Federal	WYW 143069	2522	\$2.00	\$ 5,044.00	1-Dec-11	1-Jun-11	5/31/2012	suspended
JM HUBER	WYW 160915	40	\$1.50	\$ 30.00		1-Aug-11	7/31/2014	suspended
					50%			

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## 9. RISK FACTORS

***THE RISKS CONTAINED BOTH IN THE INVESTMENT OVERVIEW SECTION, THE SOLICITOR'S REPORT ON THE HANGING WOMAN PROJECT AND THIS SECTION 9 SHOULD BE CONSIDERED CAREFULLY BY POTENTIAL INVESTORS.***

### 9.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities.

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

In common with other companies operating in the gas industry sector the Company is engaged in activities that involve a high degree of risk. Material risks that may affect the Company include:

#### **SPECIFIC RISKS**

### 9.2 Change in nature and scale of activities

The Company obtained Shareholder approval for a change in nature and scale of its activities at the Annual General Meeting. ASX requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on the ASX. In the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Offer and will repay all application monies received.

### 9.3 Counterparty and Contract Risk

Pursuant to the Share Sale Agreement (summarised in Section 10.1) the Company will acquire 100% of Cady Energy which (through its wholly owned subsidiary Cady Energy US holds the exclusive right to acquire 100% of the Hanging Woman Project. Cady Energy acquired the exclusive right to the 100% interest in the Hanging Woman Project pursuant to the Kennedy Oil Agreement (summarised in Section 10.2).

On completion of the Acquisition, the Company's primary asset will be its proposed interest in the Hanging Woman Project held pursuant to the Kennedy Oil Agreement with the Kennedy Vendors. The Company will be reliant on the Kennedy Vendors complying with the terms and conditions of the Kennedy Oil Agreement and the conditions attaching to the leases which comprise the Project. Should Kennedy Oil fail to comply with the terms of the Kennedy Oil Agreement, the Company's interest in the Hanging Woman Project may be adversely affected.

Further, There is a risk that the Company will be unable to satisfy its obligations under the Kennedy Oil Agreement or the Company may elect not to proceed to acquire the Project after completion of the Minimum Agreed First Year Work

Program and therefore will not acquire the Hanging Woman Project and, in these circumstances, the Company will lose all its rights to the Project.

The Listing Rules impose an ongoing obligation on listed entities to maintain a structure and level of operations appropriate for a listed entity. Accordingly, if for whatever reason the Company does not acquire the Hanging Woman Project, unless an alternative project or asset is acquired which is sufficient to maintain its listing on ASX, the Company would not satisfy the requirements under the Listing Rules and would be suspended. In such circumstances the Company would not be re-admitted to quotation until an alternative project or asset is acquired by the Company.

Various contracts Cady Energy (and its subsidiary) are a party to (including the Kennedy Oil Agreement) are governed by Wyoming law or jurisdictions outside Australia. Legal action instituted in Australia or overseas can be costly. There is a risk that the Company may not be able to seek the legal redress that it could expect under Australian law; and generally there can be no guarantee that a legal remedy will ultimately be granted on the appropriate terms.

#### **9.4 Requirements for Permits and Licences**

Following completion of the Acquisition and the acquisition of the Hanging Woman Project, the operations of the Company will require licences and permits and in some cases renewals of existing licences and permits from various governmental authorities.

The ability of the Company to obtain, sustain or renew such licences and permits on acceptable terms is subject to change in regulations and policies and is at the discretion of the applicable regulatory authorities.

The leases which comprise the Hanging Woman Project are granted for a primary term and remain in effect provided the lessee complies with the annual rental requirements. A lease will expire at the end of the primary term unless the lessee is undertaking drilling or oil and gas production has commenced on the lease. If drilling is being undertaken, upon expiry of the primary term the lease will be extended for a further 2 years and if oil and gas production is established, the lease will remain in effect past the primary term for as long as the lease continuously produces oil or gas or there is continuous drilling operations.

The failure of the Company to obtain, sustain or extend licences and permits on acceptable terms could adversely impact the Company's operations and its financial results.

The failure of the Company to fund rental payments, undertake the required drilling programs or commence oil and gas production may adversely affect the Company's interest in the Hanging Woman Project and its asset position.

Further details of the rental payments, lease term and associated extensions are set out in the in the Solicitor's Report on the Hanging Woman Project contained in Section 8 of this Prospectus.

#### **9.5 Offtake infrastructure**

As at the date of this Prospectus, Cady Energy has no offtake infrastructure in place. In the event the Company starts producing gas from the Hanging Woman Project in the future, it will be necessary to have in place an offtake

agreement. There is no assurance that such agreement will be obtained and, if obtained, what the terms of the agreement will be. Gas is transported to the market via dedicated pipeline infrastructure owned and operated by third parties; this pipeline infrastructure is subject to limitations which may impact adversely on the ability of the Company to sell its product.

In the event the Company starts producing gas from the Hanging Woman Project, the Company may enter into offtake transactions in order to fix or underpin the price for a portion or all of its production. There is a risk that the Company may not be able to deliver physical production into committed offtake agreements; if, for example, there was a production stoppage. In that event the Company could be adversely affected if the price was to move unfavourably. In addition, there is a mark-to-market risk in respect of accounting for offtake agreements that could adversely impact the Company's financial results.

#### **9.6 No Geographical Diversification**

The Hanging Woman Project is located in Wyoming in the United States of America. Any circumstances or event which negatively impacts the development of this State or which negatively affects the United States of America could materially affect the financial performance of the Company and more significantly than if it had a diversified asset base.

#### **9.7 Gas Price Volatility**

Substantially all of the Company's revenues and cash flows (should the Company enter production) will be derived from the sale of gas. Therefore, the financial performance of the Company would be exposed to fluctuations in the gas price. Historically, the gas price has fluctuated widely and has experienced periods of significant decline. Gas prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, forward selling activity as well as general global economic conditions and political trends.

If gas prices should fall below or remain below the Company's cost of production for any sustained period due to these or other factors and events, the Company's exploration and proposed production could be delayed or even abandoned. A delay in exploration or production or the abandonment of one or more of the Company's leasehold tenements may require the Company to write down its gas reserves and resources and may have a material adverse effect on the Company's production, earnings and financial position.

#### **9.8 Risks associated with operations in the United States**

On completion of the Acquisition, the Company will be conducting its activities in Wyoming in the United States of America. The Directors believe that the Wyoming State Government and the US Federal Government support the development of natural resources by foreign investors. However there is no assurance that future political and economic conditions in the United States of America will not result in the Government of Wyoming and or the Federal Government of the United States of America adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations,

repatriation of income and return on capital, all of which may affect the Company's ability to develop the Hanging Woman project.

Outcomes in courts in the USA may be less predictable than in Australia, which could affect the enforceability of contracts entered into by the Company or its subsidiaries in the USA.

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. The Company has made its investment and strategic decisions based on the information currently available to the Directors, however should there be any material change in the political, economic, legal and social environments in the USA, the Directors may reassess investment decisions and commitments to assets in the USA.

## **9.9 Exploration and Development Rights**

Acquisition and retention of exploration rights and development rights is a detailed and time-consuming process. There is no guarantee that the Company will be granted future exploration rights necessary to develop the Hanging Woman Project on acceptable terms in a timely manner or at all. A wide range of factors and principles must be taken into account by the Federal and State regulatory authorities in Wyoming when considering applications for drilling rights. The factors taken into account include the drilling must not result in unacceptable pollution, ecological degradation or damage to the environment, and the applicant must have the ability to comply with the relevant provisions of the health and safety regulations.

Drilling rights and development rights are liable to be cancelled or suspended for breach of the terms of the right and non-compliance with permits.

## **9.10 Exploration and Development Risks**

The business of gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities 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 consents and approvals necessary for the conduct of gas exploration, development and production; and
- (f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from the projects undergoing exploration and development programs depends on successful exploration and establishment of

production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

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

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

#### **9.11 Availability of Equipment and Drilling Costs**

On completion of the Acquisition, the Company will be operating in the oil and gas industry which has historically experienced periods of rapid cost increases. Any increase in the cost of exploration and development of the Hanging Woman Project would affect the ability of the Company to invest in the Project and to purchase or hire equipment, supplies and services.

The availability of drilling rigs and other equipment and services is affected by the global level and location of drilling activity. The reduced availability of equipment and services may delay or prevent the Company's ability to exploit reserves and its operations and profitability.

#### **9.12 Decommissioning Costs**

Following completion of the Acquisition and the acquisition of the Hanging Woman Project, the Company shall be responsible for costs associated with plugging and abandoning and reclaiming wells, facilities and pipelines which may use for production of oil and gas (if a level of production is achieved).

Such decommissioning costs would negatively impact on the Company's profitability.

#### **9.13 Tenure Risk and Native Title**

On completion of the Acquisition, the Company will hold the exclusive right to purchase a 100% interest in the Hanging Woman Project, subject to satisfactory achievement of exploration results and further payments to Kennedy Oil.

The operations of the Company will require licences, permits and in some cases renewals of existing licences and permits from various governmental authorities. However, the ability of the Company to obtain, sustain or renew such licences and permits on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable regulatory authorities.

The Proposed Directors will closely monitor the potential effect of native title claims involving leases in which the Company has or may have an interest.

## **GENERAL RISKS**

### **9.14 Foreign Exchange Rate Risk**

Any revenue received by the Company would likely be in US dollars derived from the sale of gas and a substantial portion of the Company's operating expenses would also be incurred in US dollars. Gas is sold in the US market and around the world based principally on a US dollar price. Furthermore, the income and expenditure accounts will be prepared in Australian dollars (AUD). Therefore Australian dollar reported revenue will be directly impacted by movements in the US dollar gas price and the USD/AUD exchange rates. Movements in the USD/AUD exchange rates may adversely or beneficially affect the Company's results or operations and cash flows.

### **9.15 General Economic Risks**

Factors such as inflation, currency fluctuations, interest rates, supply and demand of capital and industrial disruption have an impact on business costs, commodity prices and stock market prices. The Company's operating costs, possible future revenues and future profitability can be affected by these factors, which are beyond the control of the Company.

### **9.16 Regulatory Risk**

The Company's proposed drilling operations and exploration and development activities at the Project will be subject to extensive laws and regulations relating to numerous matters, including various resource licence consent conditions pertaining to environmental compliance and rehabilitation, taxation, social and labour relations, health and worker safety, waste disposal, water use, protection of the environment, successful land claims and heritage matters, protection of endangered and protected species and other matters. The Company will regularly require permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time-consuming process and there is a risk that the Company may not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or further development of a reserve. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of resource tenements.

### **9.17 Decommissioning costs**

The Company shall be responsible for costs associated with plugging and abandoning and reclaiming wells, facilities and pipelines which it may use for production of gas.

### **9.18 International Operations**

International sales and operations are subject to a number of risks, including:

- (a) potential difficulties in enforcing agreements (including joint venture agreements) and collecting receivables through foreign local systems;
- (b) potential difficulties in protecting intellectual property;
- (c) increases in costs for transportation and shipping; and
- (d) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

### **9.19 Competition**

The Company will compete with other companies, including major gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce gas, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

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

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

### **9.21 Future Capital Needs**

Significant future funding will be required by the Company to develop the Project. There can be no assurance that such funding will be available on satisfactory terms or at all. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities.

### **9.22 Potential Acquisitions**

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

### **9.23 Reliance on Key Personnel**

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

### **9.24 Estimates of Gas Resources**

The gas reserves estimates for the Company's gas assets are estimates only and no assurance can be given that any particular yield of gas from gas reserves will in fact be realised or that an identified gas reserve will ever qualify as a commercially developable gas resource that can be economically developed. The Company's estimates have been determined and comply with estimates in accordance with industry standards as set out in the Australian Institute of Mining and Metallurgy's Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005 Edition). However, gas reserve estimates are expressions of judgement based on knowledge, experience and industry practice.

The estimating of gas reserves is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgements made in interpreting engineering and geological information. There is significant uncertainty in any reserve or resource estimate and the actual reserves encountered and the economic viability of developing a reserve may differ materially from the Company's estimates. The exploration of gas is speculative in nature and is frequently unsuccessful. The Company may be unable to successfully discover and exploit new reserves to replace those they plan to develop to ensure the ongoing viability of the Company's operations.

Estimated gas reserves may have to be recalculated based on changes in gas prices, further exploration of development activity or actual production experience. This could have a material adverse impact on the estimates of the volume, estimated yield or other important factors that influence reserve or resource estimates. Market price fluctuations for gas, increased production costs or reduced yields, or other factors may render the gas reserves of the Company uneconomical or unprofitable to develop at a particular site or sites.

### **9.25 Insurance**

Insurance against all risks associated with gas production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

### **9.26 Environmental, Health and Safety Matters**

The Company's exploration and future production operations will be subject to extensive health and safety and environmental laws and regulations which could impose significant costs and burdens on the Company (the extent of which cannot be predicted). Financial provisions for the estimated costs of rehabilitating disturbances caused by exploration and production activities will

be made by the Company over the life of the operation. Applicable laws and regulations provide for penalties and other liabilities for violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Permission to operate could be withdrawn temporarily where there is evidence of serious breaches of health and safety and environmental laws and regulations and even permanently in the event of extreme breaches.

Gas exploration and production operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of gas exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. The Company's proposed operations have been designed to comply with known or reasonably predictable conditions, however, it is not possible to predict all prevailing conditions that may affect the Company's operations at all times in the future. Events such as unpredictable rainfall may impact on the Company's ongoing compliance with environmental legislations, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of drilling and process waste and well water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or drilling activities.

Approvals are required for the rehabilitation plan that establishes the Company's obligation to rehabilitate land after gas has been produced from the site. Rehabilitation by the Company of its exploration and production sites takes place both during and after the active life of exploration and mining activities.

## **9.27 Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

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

**9.28 Investment speculative**

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

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## 10. MATERIAL CONTRACTS

As announced on 4 March 2011, the Company entered into a binding heads of agreement (**Heads of Agreement**) to acquire 100% of the fully paid ordinary shares in the capital of Cady Energy (to be re-named Cady Energy (No.1) Pty Ltd) (**Transaction**). The Heads of Agreement was subsequently replaced by a full form agreement (**Share Sale Agreement**).

Details of the Share Sale Agreement, and other material agreements to which the Company is a party, are set out below.

### 10.1 Share Sale Agreement – Acquisition of Cady Energy

The material terms and conditions of the Share Sale Agreement are as follows:

- (a) In consideration for the acquisition of all the issued capital of Cady Energy, the Company will issue the Cady Vendors:
  - (i) 90,000,000 Shares on a post-Consolidation basis; and
  - (ii) 11,250,000 Consideration Options on a post-Consolidation basis,  
(together, the **Consideration Securities**).
- (b) The conditions precedent to settlement of the Transaction include the following:
  - (i) completion by the Company of its due diligence investigations in relation to Cady Energy and its assets and being satisfied in its absolute discretion with the results of the due diligence;
  - (ii) Shareholders approving in general meeting:
    - (A) the Transaction;
    - (B) the Consolidation;
    - (C) the ability of the Company to issue up to 75,000,000 Shares on a post-Consolidation basis to raise up to \$15,000,000; and
    - (D) the issue of the Consideration Securities to the Cady Vendors as consideration under the Transaction;such approvals to be obtained pursuant to:
    - (E) Listing Rules 7.1 and 11.1; and
    - (F) sections 254H and 611 of the Corporations Act; and
  - (iii) the Company obtaining any other Shareholder approvals that may be required under the Transaction (if any),  
(together, the **Conditions Precedent**).

The Conditions Precedent must be satisfied on or before 31 October 2011.

The Share Sale Agreement otherwise contains standard clauses typical for an agreement of this nature.

## 10.2 Kennedy Oil Agreement – Acquisition of the Hanging Woman Project

Pursuant to a sale and purchase agreement (as varied) between Kennedy Oil and M. John Kennedy (together the **Kennedy Vendors**), Cady Energy US Inc. (**Cady Energy US**) (a wholly owned subsidiary of Cady Energy) and Cady Energy (in the capacity of guarantor), Cady Energy US was granted an exclusive right to earn a 100% interest in the Hanging Woman Project.

In accordance with the terms of the Kennedy Oil Agreement:

- (a) immediately following re-admission of the Company to the Official List (**Admission Date**), the Company must reimburse the Kennedy Vendors for past operating costs on the Hanging Woman Project for the period from 26 January 2010 to the Admission Date (estimated to be a total of approximately US\$500,000 to US\$550,000 as at the Admission Date) (**Reimbursement Payment**);
- (b) within 30 days of the Admission Date, the Company must pay the Kennedy Vendors US\$1,550,000 (**Re-Admission Payment**);
- (c) within 30 days of the expiration of the period allowed for the Company to perform the Minimum Agreed First Year Work Program (being 30 September 2011 or 29 weeks from the date of permitting/approvals to drill at the Project) (or earlier, at the election of the Company), the Company must, at the election of the Kennedy Vendors, either:
  - (i) pay the Kennedy Vendors US\$2,000,000; or
  - (ii) issue the Kennedy Vendors the equivalent value of Shares at a deemed issue price of \$0.20 each,**(Title Transfer Payment)**; and
- (d) within 30 days of first shipment to market of commercial natural gas produced from the Hanging Woman Property, (or earlier at the Company's election), the Company must, at the election of the Kennedy Vendors, either:
  - (i) pay the Kennedy Vendors US\$3,000,000; or
  - (ii) issue the Kennedy Vendors the equivalent value in Shares at a deemed issue price of \$0.20 each,**(Production Payment)**.

The Minimum Agreed First Year Work Program includes the drilling of a minimum of two new wells at the Hanging Woman Project, and performing analysis on the core from at least one well to the Company's satisfaction and applying for a minimum of seven applications for permits to drill.

Following completion of the Minimum Agreed First Year Work Program, or earlier, at the election of the Company, 100% of the legal title to the leases, which comprise the Hanging Woman Project will be transferred to Cady Energy US and

the Company will be required to pay the Title Transfer Payment within 30 days of the date of transfer of title.

The anticipated date of effective completion of the Minimum Agreed First Year Work Program is January 2012. The Company will raise a minimum of \$7 million pursuant to the Offer and these funds raised will be sufficient to cover the US\$3.1 million detailed above (made up of the Reimbursement Payment, Re-Admission Payment and estimated expenditure incurred in completing the Minimum Agreed First Year Work) plus costs associated with the offer of A\$200,000 plus working capital for 24 months. When the payment to the Kennedy Vendors is due and if they elect to receive cash rather than Shares in satisfaction of that payment, then an additional US\$2 million will be paid.

In addition, various parties, including associates of the Kennedy Vendors, hold the following royalties over leases which form part of the Project:

- (a) in total a royalty equal to 16.5% of revenues over WYW-142099, WYW-142100, WYW-142101, WYW-142104, WYW-142105, WYW-142846 and WYW-142 848;
- (b) in total a royalty equal to 17.75% of revenues over WYW-143089;
- (c) in total a royalty equal to 22.0% of revenues over WYW-160915;
- (d) in total a royalty equal to 17.0% of revenues over WY#97-00255; and
- (e) in total a royalty equal to 22.0% of revenues over the Fee Simple Land located at Township/Range 57-80: Section 23 SENW and Township/Range 57-79: Section 30, Lot 3 (NWSW) and SESW, and Lot 31 NENW.

The Kennedy Oil Agreement is governed and is to be construed under the laws of the State of Wyoming.

### 10.3 Appointment Letter and Consultancy Agreement - Stephen Quantrill

On 7 July 2011, pursuant to an appointment letter between the Company and Stephen Quantrill, Mr Quantrill was appointed Managing Director and Chief Executive Officer of the Company.

The fees payable to Mr Quantrill, and the services to be provided by him, the position of Managing Director and Chief Executive Officer of the Company, are set out in the consultancy agreement summarised below.

Cady Energy entered into a consultancy agreement with Angel's Wish Pty Ltd ATF Angel's Wish Trading Trust (**AWPL**) pursuant to which AWPL agreed to provide the services of Stephen Quantrill as Managing Director and Chief Executive Officer of Cady Energy. The material terms and conditions of the agreement are as follows:

- (a) **(Term)**: The term of employment commenced on 7 July 2011 and is for an initial term of three years and two months unless extended by both parties **(Term)**.
- (b) **(Duties)**: The duties to be performed by Mr Quantrill are in the nature usually prescribed for an appointment of this type including

management of the day to day operations of the group and implementation of strategies approved by the Board.

- (c) **(Remuneration)**: The Company shall pay AWPL a consulting fee of \$27,250 per month (exclusive of GST) (**Fee**) payable from the date of settlement of the Acquisition. The Fee will be subject to review on 1 July 2012 and each subsequent 1 July during the Term.
- (d) **(Incentive Shares)**: Subject to prior Shareholder and ASX approval, the Company has agreed to issue AWPL (or nominee) the following performance shares:
  - (i) 2,000,000 performance shares to vest on 1 July 2012;
  - (ii) 2,000,000 performance shares to vest on 1 July 2013; and
  - (iii) 3,000,000 performance shares to vest on 1 July 2014,(together, the **Performance Shares**). The terms of the Performance Shares will convert into Shares on a 1:1 basis upon satisfaction of various performance milestones which have not been determined at the date of this Prospectus. Subject to Shareholder approval, the Company may issue Shares in lieu of Performance Shares in the proportions, and on the respective vesting dates, as set out above.
- (e) **(Termination)**: The agreement may be terminated by either party by providing three month's written notice.
- (f) **(Governing Law)**: The agreement shall be governed by the laws of Western Australia.
- (g) **(Other Terms)**: The agreement also contains provisions including confidentiality, share trading policy obligations and termination rights that are customary in agreements of this type.

As at the date of this Prospectus, neither AWPL nor Mr Quantrill holds any Securities.

#### 10.4 Non-Executive Chairman Appointment – John (Gus) Simpson

The Company has entered into agreement for the appointment of Mr Gus Simpson as Non-Executive Chairman of the Company on completion of the Acquisition. Pursuant to this agreement Mr Gus Simpson will be paid \$50,000 per year.

On completion of the Acquisition, an entity associated with Mr Gus Simpson will hold 10,000,000 Shares and 2,500,000 Options (on a post-Consolidation basis).

#### 10.5 Technical Director Appointment – Saxon Palmer

The Company has entered into agreement for the appointment of Mr Palmer as Technical Director of the Company on completion of the Acquisition. Mr Palmer will be paid fees in accordance with the terms and condition of the Technical Services Agreement (as defined in Section 10.6 below). Mr Palmer will not be paid any additional fees under the agreement referred to in this clause 10.5.

On completion of the Acquisition, an entity associated with Mr Palmer will hold 10,000,000 Shares and 2,500,000 Options (on a post-Consolidation basis).

#### **10.6 Consultancy Agreement - Sablet Pty Ltd**

Cady Energy has entered into agreement with Sablet Pty Ltd (ACN 135 827 717) ATF Archard Palmer Family Trust (as consultant) (**Sablet**) and Saxon Palmer (as nominated person) (**Technical Services Agreement**).

Pursuant to this agreement, Sablet will be paid a fee of \$250 per hour (exclusive of GST) payable monthly in arrears or as otherwise agreed (**Fee**) based on an itemised invoice to be provided by Sablet for services performed by Mr Palmer during the previous month.

Sablet will be paid 8 hours for each full day spent away from Perth, Western Australia in the performance of duties by Mr Palmer in connection with the business of the Company.

The services to be provided by Mr Palmer under the Technical Services Agreement will include management of the day to day technical operations of the Company, its people and resources and will include providing assistance and support to the Chief Executive Officer on all technical, operational and other Project issues and all other support to ensure Project and Company objectives are achieved.

The Technical Services Agreement may be terminated by either party by providing 3 month's notice in writing.

#### **10.7 Non-Executive Director Appointment – Murray Durham**

The Company has entered into agreement for the appointment of Mr Durham as a Non-Executive Director of the Company on completion of the Acquisition. Pursuant to this agreement Mr Durham will be paid \$36,000 per year.

On completion of the Acquisition, an entity associated with Mr Durham will hold 4,000,000 Shares and 375,000 Options (on a post-Consolidation basis).

#### **10.8 Non-Executive Director Appointment – Anthony Simpson**

The Company has entered into agreement for the appointment of Mr Anthony Simpson as a Non-Executive Director of the Company on completion of the Acquisition. Pursuant to this agreement Mr Anthony Simpson will be paid \$36,000 per year.

On completion of the Acquisition, an entity associated with Mr Anthony Simpson will hold 6,000,000 Shares and 1,500,000 Options (on a post-Consolidation basis).

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## 11. ADDITIONAL INFORMATION

At the Annual General Meeting Shareholders approved the adoption by the Company of a new Constitution of the Company (**New Constitution**) on completion of the Acquisition. Further details in relation to the New Constitution are set out in the Notice of Meeting and a copy of the New Constitution is available for review at office of the Company and can be downloaded from the Company's ASX platform at [www.asx.com.au](http://www.asx.com.au).

The rights, privileges and restrictions attaching to Shares as set out in the New Constitution can be summarised as follows:

### 11.1 Rights attaching to Securities

#### 11.1.1 Ordinary Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the

payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

### 11.1.2 Options

The terms and conditions of the Options are as follows:

- (a) Each Option gives the Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5.00 pm (EST) on 30 September 2014 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) Subject to paragraph (d) below, the amount payable upon exercise of each Option will be \$0.20 (**Exercise Price**).
- (d) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion. Where less than 1,000 Options are held, all Options must be exercised together.
- (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

**(Exercise Notice).**

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 business days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will apply for quotation of the Options on the Australian Securities Exchange (**ASX**). The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 business days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an optionholder are to be changed in a manner consistent with the Corporations Act 2001 (Cth) and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business

days after the issue is announced. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

## **11.2 Deeds of indemnity, insurance and access**

The Company will enter into a deed of indemnity, insurance and access with Stephen Quantrill and each of the Proposed Directors. Under these deeds, the Company agrees to indemnify Stephen Quantrill and each Proposed Director to the extent permitted by the Corporations Act against any liability arising as a result of Stephen Quantrill and the Proposed Director acting in the capacity as a director of the Company. The Company is also required to maintain insurance policies for the benefit of Stephen Quantrill and the Proposed Director and must also allow Stephen Quantrill and the Proposed Directors to inspect Company documents in certain circumstances.

## **11.3 Fees and benefits**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director or Proposed Director of the Company;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in the Prospectus as a financial services licensee involved in the issue,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (e) the formation or promotion of the Company;
- (f) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Securities under this Prospectus; or
- (g) the offer of Securities under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director or Proposed Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Securities under this Prospectus.

Robert A. King has acted as the Independent Technical Expert and has prepared an Independent Technical Report which has been included in Section 6 of this Prospectus. The Company estimates that it will pay Robert A. King a

total of \$4,200 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Robert A. King has not received any other fees from the Company.

Goolsby, Finley and Associates, LLC has prepared a Competent Person's Report included as Annexure A to the Independent Technical Report in Section 6 of this Prospectus. The Company estimates that it will pay Goolsby, Finley and Associates a total of \$1,500 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Goolsby, Finley and Associates has not received any other fees from the Company.

BDO Corporate Finance (WA) Pty Ltd (**BDO**) has acted as Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 7 of this Prospectus. The Company estimates it will pay BDO a total of \$15,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO has not received any other fees from the Company.

Steinepreis Paganin has acted as the Australian solicitors to the Company in relation to the Offer, has been involved in due diligence enquiries on Australian legal matters. The Company estimates it will pay Steinepreis Paganin \$50,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received any other fees for legal services.

Brown, Drew & Massey, LLP has prepared the Solicitor's Report on the Hanging Woman Project, which is included in Section 8 of this Prospectus. The Company estimates it will pay Brown, Drew & Massey, LLP \$4,300 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Brown, Drew & Massey, LLP has not received any fees from the Company.

#### **11.4 Consents**

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Robert A. King has given his written consent to being named as the Independent Technical Expert to the Company in this Prospectus and to the inclusion of the Independent Technical Report in Section 6 in the form and context in which the report is included and to the inclusion of those statements in Section 4 of this Prospectus attributable to the Independent Technical Expert in the form and context in which they are included. Robert A. King has not withdrawn his consent prior to the lodgement of this Prospectus with the ASIC.

Goolsby, Finley and Associates, LLC has given its written consent to the inclusion of the Competent Person's Report as Annexure A to the Independent Technical Report in Section 6 in the form and context in which the report is included. Goolsby, Finley and Associates, LLC has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 7 in the form and context in which the report is included. BDO has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given their written consent to being named as the Australian solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Brown, Drew & Massey, LLP has given its written consent to being named as the Wyoming solicitors to the Company in this Prospectus and to the inclusion of the Solicitor's Report on the Hanging Woman Project in Section 8 of this Prospectus in the form and context in which the report is included. Brown, Drew & Massey, LLP has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

#### **11.5 Restricted Securities**

ASX has indicated that certain existing security holders may be required to enter into agreements which restrict dealings in Securities held by them. These agreements will be entered into in accordance with the Listing Rules.

#### **11.6 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and neither the Directors nor Proposed Directors are aware of any legal proceedings pending or threatened against the Company.

#### **11.7 Electronic Prospectus**

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at [info@grpcorporation.com](mailto:info@grpcorporation.com) and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at [www.grpcorporation.com](http://www.grpcorporation.com).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **11.8 Taxation**

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

## **11.9 Forecasts**

Following completion of the Acquisition, the Company will be an exploration company. Given the speculative nature of oil and gas exploration, production cannot be guaranteed and there exist significant uncertainties associated with forecasting future revenue. On this basis, neither the Directors nor the Proposed Directors believe that reliable forecasts cannot be prepared and accordingly have not included forecasts in this Prospectus.

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**12. DIRECTORS' AND PROPOSED DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors and Proposed Directors.

In accordance with Section 720 of the Corporations Act, each Director and Proposed Director has consented to the lodgement of this Prospectus with the ASIC.

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**Stephen Quantrill**  
**For and on behalf of**  
**GRP Corporation Limited**

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## 13. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**A\$ or \$** means an Australian dollar.

**Acquisition or Transaction** means the acquisition by the Company of Cady Energy pursuant to the Share Sale Agreement.

**Annual General Meeting** means the annual general meeting of the Company held on 6 July 2011.

**Applicant** means a Shareholder or other party who applies for Securities pursuant to the Offer.

**Application Form** means Priority Offer Application Form or the Public Offer Application Form as the case determines attached to or accompanying this Prospectus relating to the Offer.

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

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange (as the context requires).

**Bcf** means billion cubic feet.

**Board** means the board of Directors as constituted from time to time.

**Business Day** means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

**Cady Energy** means Cady Energy Pty Ltd (to be re-named Cady Energy (No.1) Pty Ltd) (ABN 12 139 961 809).

**Cady Vendors** means all of the current shareholders of Cady Energy.

**CBM** means Coalbed Methane

**Closing Date** means the closing date of:

- (a) the Priority Offer being 5.00pm WST 7 August 2011; or
- (b) the Public Offer being 5.00pm WST 8 August 2011,

(as applicable), subject to these dates being extended or the Priority Offer or the Public Offer being closed early.

**Company or GRP** means GRP Corporation Limited (to be re-named "Cady Energy Limited" on completion of the Acquisition) (ABN 57 096 781 716).

**Consolidation** means the consolidation of the Company's existing Securities (prior to the issue of Securities offered under this Prospectus) on the basis of one (1) Security for every twenty (20) Securities held.

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company as at the date of this Prospectus.

**Drilling Program** means the proposed program to drill 3 wells on the Project before 5 December 2011 In order to maintain the leases which comprise the Project.

**EST** means Eastern Standard Time as observed in Sydney, New South Wales.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

**Hanging Woman Project** or **Project** means the coal bed methane project located in the Powder River Basin, Wyoming, United States of America.

**Henry Hub** means the main trading Hub for US natural gas and the point at which NYMEX sets its prices. Other hubs in the US trade at differentials to this based on proximity to supply and demand

**Kennedy Oil** means Kennedy Oil, an entity incorporated in Wyoming, United States of America.

**Kennedy Oil Agreement** means the agreement summarised in Section 10.2 pursuant to which Cady Energy US Inc (a wholly owned subsidiary of Cady Energy) holds the exclusive right to acquire the Hanging Woman Project.

**Leases** means the Leases which comprise the Hanging Woman Project as set out in the Solicitor's Report on in Section 8 of this Prospectus.

**Listing Rules** means the official listing rules of ASX.

**Minimum Agreed First Year Work Program** or **MAWP** means the minimum agreed first year work program to be undertaken in accordance with the Kennedy Oil Agreement.

**MMcf** means million cubic feet.

**Offer** means the offer to Shareholders and investors to apply for Shares and Options set out in Section 3 of this Prospectus, which incorporates the Public Offer and the Priority Offer.

**Official List** means the Official List of ASX.

**Official Quotation** means official quotation by ASX in accordance with the Listing Rules.

**Option** means an option to acquire a Share.

**Priority Offer** means the offer of up to 10,000,000 Shares (and 5,000,000 free attaching Options) to Shareholders of the Company on the Priority Offer Record Date, on the terms set out in the Investment Overview Section of this Prospectus.

**Priority Offer Record Date** means the record date for determining entitlements to participate in the Priority Offer, being 5.00pm WST 30 July 2011.

**Priority Offer Application Form** means the Priority Offer application form attached to or accompanying this Prospectus relating to the Priority Offer.

**Proposed Directors** means the proposed Directors of the Company following completion of the Acquisition being John (Gus) Simpson, Saxon Palmer, Murray Durham and Anthony Simpson, further details of which are set out in the Investment Overview Section of this Prospectus.

**Prospectus** means this replacement prospectus.

**Public Offer** means the offer of 25,000,000 Shares (and 12,500,000 free attaching Options), together with the capacity to accept oversubscriptions of a further 15,000,000 Shares (and 7,500,000 free attaching Options), including any Securities remaining after allocation of the Priority Offer on the terms set out in the Investment Overview Section of this Prospectus .

**Public Offer Application Form** means the Public Offer application form attached to or accompanying this Prospectus relating to the Public Offer.

**Securities** means Shares and Options.

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

**Share Sale Agreement** means the agreement summarised in Section 10.1 pursuant to which the Company will acquire Cady Energy.

**Share Registry** means Security Transfer Registrars.

**Shareholder** means a holder of Shares.

**Tcf** means trillion cubic feet.

**US\$** means the currency of the United States of America.

**WST** means Western Standard Time as observed in Perth, Western Australia.