

Prospectus

FeOre Limited (to be renamed Sagalio Energy Limited)

(an exempted company incorporated in Bermuda registration number 45631)

ARBN: 152 971 821

For the offer of up to 100,000,000 Shares at an issue price of A\$0.05 each to raise up to A\$5 million.

Current ASX Code: FEO

Proposed ASX Code: SAN

This Prospectus provides important information about the Company. You should read the entire document including the Application Form. If you have any questions about the Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional adviser. An investment in the Shares offered under this Prospectus is highly speculative.

Important Notice

This Prospectus is dated 12 February 2015 and was lodged with ASIC on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made to ASX within 7 days after the date of this Prospectus for the 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 document may not be distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy securities in the United States. Any securities described in this document have not been and will not be, registered under the US Securities Act 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act 1933 and applicable US state securities law.

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

No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus.

Web Site - Electronic Prospectus

A copy of this Prospectus is available and can be downloaded from the website of the Company at <http://www.feore.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. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

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. 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 contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the 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.

Changes in nature and scale of activities and re-compliance with Chapters 1 and 2 of the Listing Rules

At the Shareholder Meeting the Company will be seeking, amongst other things, Shareholder approval for a change in the nature and scale of its activities. In the event Shareholder approval is obtained, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

If Shareholders approve the change in the nature and scale of activities, the Company will be suspended from official quotation from the date of the Shareholder Meeting and will not be reinstated until ASX approves the Company's re-compliance with Chapters 1 and 2 of the Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotation on the ASX. In the event the Company does not receive conditional approval for re-quotation on ASX then the Company will not proceed with the Offer and will repay all application monies received without interest.

Specific risks in an investment in a Bermudan incorporated entity

The Company is an exempted company incorporated in Bermuda and is regulated by the Bermuda Companies Act 1981, and Shareholders may not be afforded the same rights as under the Corporations Act. Details of the differences in the laws and Shareholder rights are set out in sections 14 and 15.

Suitability of Investment & Risks

Before deciding to invest in the Company prospective investors should read entirely this Prospectus and, in particular, the summary of the Company's business in section 5 and the risk factors in section 6. They should carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding to invest.

Any investment in the Shares of the Company should be regarded as speculative.

Definitions and currency

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

References to currency are to US dollars, unless otherwise stated. An exchange rate of US\$:A\$ of 1.2388 has been used in this Prospectus.

References to material lodged with ASIC

In preparing this Prospectus, the Company has (in reliance of section 712 of the Corporations Act) referred to certain information that is contained in documents that have been lodged with ASIC. Persons have a right to obtain copies of such documents from the Company free of charge from the Company's website, <http://www.feore.com>.

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Corporate Directory

Directors

Mr Harry King Hap Lee (Chairman)
 Dr Louis Yang Luwu (Executive Director)
 Mr Steven Hodgson (Non-executive Director)
 Mr He Chuan (Non-executive Director)

Company Secretary

Mr Chen Chik (Nicholas) Ong

Website

<http://www.feore.com>

Registered Office

Clarendon House
 2 Church Street
 Hamilton HM 11, Bermuda

Share Registry

Computershare Investor Services Pty Limited
 Level 4, 60 Carrington Street
 Sydney NSW 2000

Head Office

62/F, The Centre
 99 Queen's Road Central
 Hong Kong

Auditor

Ernst & Young
 680 George Street
 Sydney NSW 2000

Solicitors to the Offer

Kings Park Corporate Lawyers
 Level 2, 45 Richardson Street
 West Perth WA 6005

Independent technical advisor

MHA Petroleum Consultants
 730 17th Street, Suite 410
 Denver, Colorado 80202
 USA

Investigating Accountant

BDO
 38 Station Street
 Subiaco WA 6008

Independent legal report

Kalikova & Associates International Legal
 Services
 303 Mir Ave, Bishkek Free Economic Zone
 Bishkek, Kyrgyzstan

1 TIMETABLE TO THE PUBLIC OFFER

Opening Date of the Offer	12 February 2015
Shareholder Meeting ¹	13 February 2015
Closing Date of the Offer ²	25 February 2015
Issue of Shares under this Prospectus and Completion	11 March 2015
Quotation of Shares on the ASX ³	16 March 2015

¹ Shareholder approval is being sought for, amongst other things the issue of Shares under the Offer and Acquisition. For more details see section 5.1.

² Subject to all applicable laws and Listing Rules, the Company reserves the right to close the Offer early or later than as indicated above without prior notice.

³ Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules.

This timetable is indicative only, and may change.

2 CAPITAL STRUCTURE (POST TRANSACTION AND PUBLIC OFFER)

Number of Shares	Minimum Subscription (A\$3.5m)	Maximum Subscription (A\$5m)
Shares currently on issue ¹	112,356,130	112,356,130
Unlisted Options currently on issue ²	8,152,571	8,152,571
Shares to be issued (or transferred in the case of Treasury Shares) under the Placement at A\$0.05 per Share ³	70,000,000	100,000,000
Total Shares on issue	182,356,130	212,356,130

¹ Excludes 416,753,871 Treasury Shares bought back under a share buy-back exercise undertaken in July 2014.

² The unlisted Options on issue are exercisable at A\$0.25 and expire on or before 9 December 2015. A summary of the terms of the Options is set out at section 15.2.

³ The issue of these Shares is subject to, amongst other things, Shareholder approval at the Shareholder Meeting. See section 13.2 for details.

3 CHAIRMAN'S LETTER

Dear Investor

On behalf of the Board I am pleased to invite you to participate in the Offer by the Company.

Since the disposal of its Mongolian iron ore projects in July 2014, the Company has been actively seeking to identify suitable investments for the Company and which have the potential to add Shareholder value. The proposed acquisition by the Company of Quangas Poly Limited (**Quangas Poly**), a company with interests in 3 oil projects in the Kyrgyz Republic (Kyrgyzstan), represents significant growth potential for the Company in Central Asia. The Company's Board and management have extensive experience in oil and gas in the Central Asia and PRC regions. Having considered other investment and acquisition opportunities, the Board considers the acquisition of Quangas Poly to be in the best interests of Shareholders.

Pursuant to this Prospectus the Company is seeking to raise up to A\$5 million by the issue of up to 100 million Shares at A\$0.05 per Share. In addition to meeting the costs of the acquisition of Quangas Poly, the funds will also be used for working capital.

Through its subsidiary, Quangas Poly has engaged Beijing Orion Energy Technology & Development Co. Ltd (**Beijing Orion**), an experienced oil and gas exploration, drilling, engineering and construction company, to provide services with respect to the 3 oil projects. Beijing Orion is majority owned by Dr Yang, the Company's executive Director. All services provided by Beijing Orion are on arm's length terms.

This Prospectus contains detailed information about the Offer as well as the risks associated with investing in the Company (see section 6). Please carefully consider this Prospectus and seek professional advice, if necessary, to make an informed decision.

I look forward to welcoming you as a Shareholder.

Yours faithfully

Mr Harry King Hap Lee
Chairman

4 INVESTMENT OVERVIEW

The information in this section is a selective overview only. It is not intended to provide full information for investors intending on applying for Shares offered pursuant to this Prospectus. Prospective investors should read and consider this Prospectus in its entirety before deciding to invest in Shares. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of Shares.

Question	Response	Where to find more information
Introduction		
Who is issuing this Prospectus?	FeOre Limited (ARBN: 152 971 821) (Company) to be renamed Sagalio Energy Limited (subject to Shareholder approval).	Section 5
What is the Company's business?	The Company has agreed to acquire Quangas Poly, an entity incorporated in the British Virgin Islands, from Gain Diligence Limited (Seller or Gain Diligence) (Acquisition). Through a wholly owned subsidiary, PEI LLC (PEI), Quangas Poly has interests in 3 oil projects (Projects) in the Kyrgyz Republic.	Section 5
Information on Quangas Poly and investment highlights		
What are the benefits of investing in the Company?	The benefits of investing in the Company include the following: • The Projects adjoin large oil projects where numerous oilfields are in production, and represent a significant growth potential for the Company in Central Asia. • MHA Petroleum Consultants LLC has prepared an independent technical report which opines resource estimates for the Projects. • The Company's Board and management have extensive experience in oil and gas in the Central Asia/PRC region. • Having considered a number of investment and acquisition opportunities, the Board considers the Acquisition to be superior and in the best interests	Section 5

Question	Response	Where to find more information
of Shareholders.		
Risks Prospective investors should be aware that subscribing for Shares in the Company involves a number of risks and uncertainties. The risk factors set out in section 6, and other general risks applicable to all investments in listed securities, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. This section summarises only some of the risks which would apply to an investment in the Company and investors should refer to section 6 for a more detailed summary of the risks.		
What are the key risks of investing in the Company?	The Company, and an investment in it, is subject to several risks as detailed in this Prospectus. These include the following key risks: <i>Risks relating to Quangas Poly and its business</i> • PEI has a contractual, rather than a statutory, right to explore for, and extract, oil as provided by the Kyrgyz Republic national oil and gas company, Kyrgyzneftegaz OJSC (KNG) pursuant to a co-investment and profit (product) sharing agreement (Contract No. 381 or Co-Investment Agreement). There are risks in seeking to enforce contractual rights against the holder of subsoil use rights; particularly where the holder is a government controlled entity. • Substantial capital expenditure is required for oil exploration and production. Whilst the Minimum Subscription will provide sufficient funds to meet the Company's immediate objectives following the Transaction, the Company will need to raise further funds for growth. Specifically, under the terms of the Co-Investment Agreement PEI is required to drill 12 wells per year in 2015 and 2016 with an estimated cost of between US\$20 million and US\$22 million. To do so, PEI will need to either raise additional funds or otherwise secure funding that will allow it to complete the wells. There is a risk that this may not occur, or occur on terms unfavourable to the Company and its	Section 6

Question	Response	Where to find more information
	existing Shareholders. Failure to comply with the Work Program may jeopardise PEI's rights under the Co-Investment Agreement. • If the Company is unable to raise additional capital to meet future capital requirements once the proceeds of the Offer are fully expended, PEI may seek to divest all or part of its interests or reduce its commitments. • Contract No. 381 as originally executed between PEI and KNG, an entity partially owned by the Kyrgyz Government, is not precisely defined. If the agreement is classified as a contract for procurement of works and services, there is a risk that it might be disputed if the requirements of the Kyrgyz Laws on public procurement were not followed. To minimise this risk, PEI and KNG amended Contract No. 381 and Addendum No. 316 by Agreement No. 328, such that its type, subject and conditions are determined and in accordance with the requirements of the Kyrgyz Laws. Contract No. 381 (as supplemented and amended by Addendum No. 316 and Agreement No. 328) is a joint-investment/cooperation agreement. There is no specific public procurement requirement stipulated under the Kyrgyz Laws for such type of contract. If the Co-Investment Agreement is treated as a joint activities (or co-operation) agreement, then the risk of its invalidation due to failure to comply with public procurement procedures is remote. • The Kyrgyz Republic has a preferential right for acquisition of oil, gas and their derived products. The Oil and Gas Law is silent about the price to be paid by the Kyrgyz Republic. • The Co-Investment Agreement can be terminated by KNG unilaterally if PEI fails to fulfil the obligations or conditions of the Co-Investment Agreement. If the Co-Investment Agreement is	

Question	Response	Where to find more information
	terminated, then PEI will not have the right to perform works indicated in the contract. • The Co-Investment Agreement requires PEI to conduct works in compliance with the environmental laws of the Kyrgyz Republic. The Kyrgyz laws establish certain requirements for environmental and subsoil protection. If PEI does not comply with the environmental laws, PEI may be held liable. • The term of the licence of KNG for the development of oil on the Marleysu - East Yizbaskent deposit expires on 11 December 2019. The term of the licences for the Susamur deposit and the Yizbaskent - Arash deposit expires on 31 December 2016. The subsoil right for development is granted up to 20 years with possible extension until the depletion of the deposit. The subsoil right for prospecting is granted up to 5 years with possible extension pursuant to the technical design. There is a risk that the licences will not be extended by the Kyrgyz Geology Agency when they expire such as in the case of violation of licence agreements and/or laws. If KNG does not fulfil or fulfils any of its obligations improperly under the licence agreements and the Kyrgyz Laws, the Kyrgyz Geology Agency may suspend or revoke the licence of KNG. • The status of KNG's rights with regard to the land plots where the activity of PEI is taking place or planned to take place under the Co-Investment Agreement is not known. If KNG does not have a right for the land plots or any part of them or those rights are granted improperly, then PEI may have problems with access to the areas allocated under the Co-Investment Agreement and/or PEI and its authorised persons may subsequently be held liable for unlawful use of land plots or their	

Question	Response	Where to find more information
	damage. - While the Directors and CEO have significant experience in the oil and gas industry, Quangas Poly has limited operating history and as such has no meaningful historical financial information. Quangas Poly's business plan requires significant expenditure, particularly capital expenditure, in its oil and gas industry establishment phase. There are risks associated with an investment in early phase operations. - Under the Engineering, Procurement and Construction Contract (EPC Contract), the Beijing Orion Group Companies, an entity which is majority owned by the Company's executive Director, Dr Yang, will provide all necessary services and support for PEI to perform its obligations under the Co-Investment Agreement. The Company has established an independent committee (consisting of the Directors, other than Dr Yang, and the Company's secretary and external legal counsel) to review and negotiate the terms of each contract under which the services and support are provided and, on behalf of the Company, be satisfied that the services are provided on reasonable market rate terms and the terms are at arm's length. Notwithstanding this and given Dr Yang's role as executive director of the Company, there is a risk that services provided to the Company may not be provided on reasonable market rate terms. - The responsibility of overseeing the day to day operations and strategic management of Quangas Poly depends substantially on its senior management and its key personnel. There can be no assurance that there will be no detrimental impact on Quangas Poly if one or more of the key employees cease their employment. <i>Risks relating to the oil and gas industry</i>	

Question	Response	Where to find more information
	• The Projects contain contingent and prospective resource estimates respectively. Further work is required on the Marleysu - East Yizbaskent block to demonstrate horizontal drilling costs and flow rates at commercial thresholds prior to the contingent resources being upgraded to reserves. • The evaluation of the Susamur licence is limited by an extreme lack of tangible data, with no known well penetrations, no detailed geological map, and no basic level gravity or magnetic surveys. • Oil exploration, appraisal, development and production are generally considered a high-risk undertaking and are subject to a number of operational risks and hazards. The occurrence of any of these risks could result in legal proceedings being initiated against the Company and potentially substantial losses. <i>Risks relating to the Kyrgyz Republic</i> • With its operating assets to be located in Kyrgyzstan, there is a risk that the Company may not have recourse to the assets of Quangas Poly and PEI, to meet any possible claims that may be made against the Company. Alternatively, any recourse may, as a result of its location be difficult due to the application of Kyrgyzstan laws and processes, language and distance. • The Company will be exposed to the risk of adverse sovereign action by the Kyrgyz Government. Any expropriation or renationalisation by the Kyrgyz Government of any of Quangas Poly's assets, or any adverse change to either the sub-soil laws or tax regime in Kyrgyzstan could have a materially adverse effect on the Company and its operations. <i>Risks relating to the Transaction</i> • Subject to Shareholder approval, the Directors have agreed to subscribe for up to 50% of the	

Question	Response	Where to find more information
	Shares issued under the Offer. Together with their existing direct and indirect shareholdings in the Company, the Directors will collectively hold up to 42.23% (based on Minimum Subscription) and up to 43.32% (based on Maximum Subscription) of the Company. There is a risk that, when voting their Shares, the Directors' interests may not be aligned with the interests of other Shareholders. • The Company will be adversely affected by a substantial or extended decline in prices for crude oil, which may make further exploration and development uneconomic. • The future profitability of Quangas Poly and the value of the Company's Shares relates directly to the results of exploration, appraisal, development and production. No assurances can be given that funds spent on such activities will result in outcomes that are economically viable. • The Company has undertaken both legal and financial due diligence on Quangas Poly and its subsidiaries, and obtained appropriate warranties from the Seller. However, there are risks associated with any acquisition, including unknown liabilities and claims, or lack of title to one or more assets owned by Quangas Poly and its subsidiaries. Other risks • As the Company is incorporated under the laws of Bermuda, shareholder rights are governed by Bermuda law and the Company's Bye-laws. Shareholders may not be afforded the same level of shareholder rights and protection that a shareholder of an Australian incorporated company may be afforded under the Corporations Act. The provisions of the Corporations Act relating to takeovers and substantial shareholdings will not apply to offers for the Shares. There are presently no requirements under any Bermuda laws requiring	

Question	Response	Where to find more information
	persons who acquire significant shareholdings in the Company to make takeover offers for the Shares. - Changes in government regulations and policies of Bermuda, BVI, Australia and Kyrgyzstan and international initiatives of organisations such as the Organisation for Economic Co-operation and Development and the Financial Action Task Force aimed at “offshore” jurisdictions may adversely affect the financial performance of the Company. General Investment risks - There are risks associated with any securities investment including extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of the Company. - Changes in both domestic and world economic conditions may adversely affect the financial performance of the Company including inflation, currency fluctuations, interest rates, industrial disruption and economic growth. - Legal proceedings may arise from time to time in the course of the business of the Company. As at the date of this Prospectus, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company. Investors are urged to carefully read the risks section of this Prospectus and seek independent professional advice if they have any queries.	
Terms of the Acquisition under which Quangas Poly will be acquired		
What are the key terms of the	The material terms of the MoU under which the Company will acquire Quangas Poly and shareholder loans from the Seller are as follows: The purchase price is US\$17.1 million and the	

Question	Response	Where to find more information
Acquisition?	transfer of an entity owned by the Company which holds the Residual Asset comprising an escrowed sum of US\$5.67 million. • A refundable deposit US\$10 million to the Seller upon signing the MoU (which has been paid), with the balance to be paid at Completion. • Completion of the Acquisition is subject to and conditional upon the following being satisfied or waived by no later than 8 months from the date of the MoU (or such other date as the parties agree): ○ The Company conducting legal, financial and technical due diligence enquiries with respect to Quangas Poly to its absolute discretion (this has been satisfied); ○ The Company conducting resource estimate enquiries with respect to Quangas Poly and/or its subsidiaries and their assets/projects (this has been satisfied); ○ The Company obtaining a Kyrgyzstan legal opinion confirming Quangas Poly's unencumbered title over its assets and the validity of all licences and permits held, whether directly or indirectly, in Kyrgyzstan, and or all material contracts signed by Quangas Poly (this has been satisfied); ○ The Company obtaining any Shareholder, regulatory (including but not limited to the compliance to the Listing Rules) and other approvals required; ○ The Company raising the minimum amount required through the issue of Shares at no less than the minimum issue price to satisfy the re-admission requirements imposed by ASX or through any other means deemed appropriate by the Company for the purpose of paying the purchase price; ○ all necessary third party consents being	

Question	Response	Where to find more information
	obtained, on terms satisfactory to the Company; and - no material adverse change occurring to the Shares, Quangas Poly, or its businesses and assets. - The Seller's obligations are guaranteed by its controller, Mr Zhang Shuming. - The outstanding cash component of the purchase price will be paid from the Company's existing cash reserves (approximately US\$7.38 million).	
Directors and management		
Who are the Directors of the Company?	The Directors of the Company are: - Mr Harry King Hap Lee (Chairman) - Mr King is currently the executive director and CEO of Sino Oil and Gas Holdings Limited, a Hong Kong listed company (702.HK) - Dr Louis Yang Luwu (Executive Director) - Dr Yang has more than 20 years' experience in the oil & gas industry in PRC, and is the founder and controlling shareholder of Beijing Orion, a PRC oil & gas company with over 1,000 employees and which services Petro China, CNOOC and Sinopec. - Mr Steven Hodgson - Mr Hodgson holds a Bachelor of Applied Science degree in Geology from Curtin University (WA) with more than 20 years experience in the mining industry. - Mr He Chuan - Mr He has over 30 years experience in strategic investment and corporate management. The Company's secretary is Mr Chen Chik (Nicholas) Ong. Mr Ong is a member of Chartered Secretaries Australia and has a MBA from the University of Western Australia. He was a Principal Adviser at the Australian Securities Exchange in Perth with seven years' experience in listing rules compliance.	Section 7

Question	Response	Where to find more information
What benefits are being paid to Directors?	The Directors will be paid directors' fees for holding office as directors of the Company. Dr Yang is the majority owner of Beijing Orion, an oil and gas service company that, together with its subsidiaries, entered into contracts with PEI to provide services on behalf of PEI under the Co-Investment Agreement. See below for details.	Section 7
Material Contracts		
What important contracts have been entered into?	In addition to the MoU, the Company and Quangas Poly group have entered into the following contracts which are material to their business: • The Co-Investment Agreement, under which KNG has granted PEI the right to explore for and extract oil on the Projects. • EPC Contact and related contracts with Beijing Orion and its subsidies, under which they will provide services on behalf of PEI under the Co-Investment Agreement. The contracts are subject to Kyrgyzstan or PRC law, and relevant Beijing Orion entity will be entitled to be paid service fees at reasonable market rates and reimbursed all reasonable expenses incurred on behalf of PEI. PEI may terminate or appoint third parties to perform services. • The related contracts include a well drilling contract under which Orion Energy (a subsidiary of Beijing Orion) will be paid US\$500,000 for mobilisation costs for the mobilisation of drilling equipment and a rate based on the actual depth drilled, calculated at US\$590/metre. Each well is expected to have a depth of 1,500m, and the total contract value is estimated to be US\$17.7m. Further details on the above contracts and others are set out in section 12.	Section 12
Proposed use of funds and key terms of the Offer		

Question	Response	Where to find more information															
How will the proceeds of the Offer be used?	The Company intends to use funds raised from the Offer (together with existing funds on hand of approximately US\$280,000 after the balance of the price for the Acquisition is paid) is broadly as follows: <table border="1"> <thead> <tr> <th>Use of funds (US\$'000)</th><th>Minimum Subscription</th><th>Maximum Subscription</th></tr> </thead> <tbody> <tr> <td>Exploration and development</td><td>1,897</td><td>2,584</td></tr> <tr> <td>Costs of the Transaction</td><td>265</td><td>291</td></tr> <tr> <td>First Year's Budgeted Administration Costs</td><td>147</td><td>355</td></tr> <tr> <td>Cash reserves and working capital¹</td><td>796</td><td>1,087</td></tr> </tbody> </table> ¹ All corporate expenses (excluding first years administration costs) and other operating overheads, including but not limited to salaries and fees payable to directors, employees and consultants, will be satisfied from funds allocated to cash reserves and working capital detailed above. This is a statement of the Company's intentions based on Minimum Subscription and Maximum Subscription as at the date of this Prospectus. Further details are set out in the Prospectus.	Use of funds (US\$'000)	Minimum Subscription	Maximum Subscription	Exploration and development	1,897	2,584	Costs of the Transaction	265	291	First Year's Budgeted Administration Costs	147	355	Cash reserves and working capital ¹	796	1,087	Section 5.8
Use of funds (US\$'000)	Minimum Subscription	Maximum Subscription															
Exploration and development	1,897	2,584															
Costs of the Transaction	265	291															
First Year's Budgeted Administration Costs	147	355															
Cash reserves and working capital ¹	796	1,087															
What are the conditions of the Offer?	The Offer is conditional upon, amongst other things, the following: • Shareholders passing the Resolutions to approve the Transaction; • Completion occurring; • The Company re-complying with the admission requirements for re-admission to ASX; and	Section 13.2															

Question	Response	Where to find more information
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- The Company raising the Minimum Subscription.

In the event the conditions are not met, and in accordance with the Corporations Act, the Company will return all application moneys without interest and the Offer will not proceed.

Financial Information

What is the financial position of the Group? The Company currently has cash reserves of approximately US\$7.38 million and an escrowed sum of US\$5.67 million (to be released to an entity controlled by the Company if the purchaser of the Company's Mongolian assets lists the assets on the Hong Kong Stock Exchange). The Company has no material liabilities. Sections 10 and 11

This Prospectus contains financial information about the Company and Quangas Poly which is set out in the Investigating Accountant's Report and includes a pro-forma balance sheet.

Set out below is a selected summary of the Group's pro forma balance sheet as at 30 June 2014 (post completion):

(US\$'000)	Minimum Subscription	Maximum Subscription
Net tangible assets	4,091	5,276
Cash	4,019	5,204

The adjustments to the pro forma statement of financial position are set out in the Independent Accountant's Report.

Will the Company pay dividends?	The Company's focus will be on generating capital growth. The Company has no immediate plan to declare or distribute dividends. Payment of future dividends will depend on matters such as the future profitability and financial position of the Company.	Section 5.12
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Where will the Shares	Subject to obtaining Shareholder approval and the Company re-complying with Chapters 1 and 2 of the	Section 13.9
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Question	Response	Where to find more information
be quoted?	Listing Rules, the Shares will be traded on the ASX under the symbol ' SAN '.	
How can I obtain further advice?	By speaking to your accountant, stockbroker or other professional advisor.	

5 COMPANY AND BUSINESS OVERVIEW

5.1 Introduction and change of nature and activities

The Company was admitted to the Official List of ASX in December 2011 with two iron ore development projects in Mongolia. Since then the Company spent approximately US\$5.4 million on the projects and announced an updated JORC resource estimate. Following attempts to obtain finance to develop the projects, on 22 January 2014 the Company announced that it was selling its Mongolian iron ore assets for a total consideration of US\$56.7 million, including a conditional final deferred payment of US\$5.67 million. The proceeds of the sale were used to undertake a Share buy back exercise at A\$0.0755 per Share.

Following the sale and Share buy back exercise, the Company's assets consisted mainly of cash, receivables owed by a third party to a subsidiary of the Company of approximately US\$4.74 million (which was received in early January 2015), and an escrowed sum of US\$5.67 million to be released if the purchaser of the Company's Mongolian iron ore assets lists the assets on the Hong Kong Stock Exchange (**Residual Asset**).

Since selling its Mongolian iron ore assets, the Company has actively sought to acquire valuable commodity assets in the Central Asian region that have the potential to maximise Shareholder return.

On 23 July 2014 the Company announced that it had entered into a binding memorandum of understanding (**MoU**) with Gain Diligence to acquire 100% of Quangas Poly, an entity incorporated in the British Virgin Islands. Gain Diligence and its associates are not related parties of the Company. Through a wholly owned subsidiary, PEI (an entity incorporated in Kyrgyzstan), Quangas Poly has rights under a co-investment agreement over 3 oil projects in the Kyrgyz Republic. The terms of the Acquisition and Co-Investment Agreement are set out in section 12.

To fund the Acquisition, development work on the Projects and working capital, the Company is seeking under this Prospectus to raise between A\$3.5 million and A\$5 million through either the issue or transfer (in the case of Treasury Shares) of up to 100 million Shares at an issue price of A\$0.05 per Share. Subject to Shareholder approval, the Directors propose to participate in the Offer to subscribe for up to 50% of the Shares issued under the Offer.

The Acquisition and Offer are together the Transaction.

On Completion of the Transaction (subject to Shareholder approval), the Company will change its name to Sagalio Energy Limited and adopt a secondary name in Chinese, represented by the characters 中普能源有限公司.

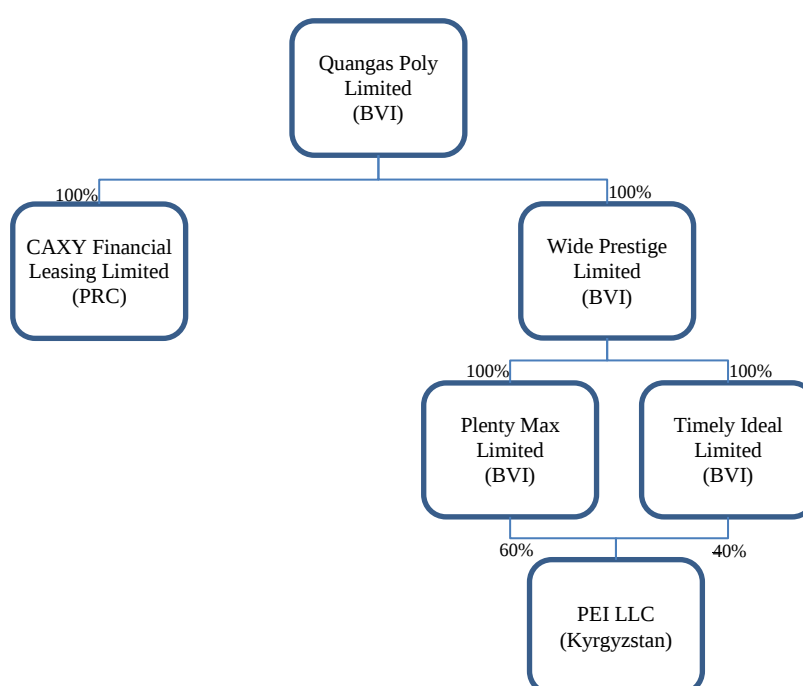
The Acquisition is a change in nature and scale for the Company and is subject to a number of conditions, which are set out in section 13.2, including approval by the

Company's Shareholders at the Shareholder Meeting to be held on 13 February 2015.

5.2 Quangas Poly, PEI and the Co-Investment Agreement

Quangas Poly was incorporated in the British Virgin Islands in December 2012. Its assets are 100% of PEI (which holds rights under a co-investment agreement over oil sub-soil licences in the Kyrgyz Republic) and CAXY Financial Leasing Limited (CAXY), a PRC incorporated entity established to provide financing to third party companies in the oil and gas industry for the purchase of oil production equipment. CAXY is yet to commence operations and currently has no assets or liabilities.

Below is a corporate chart for Quangas Poly and its subsidiaries:



PEI has a co-investment and profit (product) sharing agreement (**Contract No. 381 or Co-Investment Agreement**) with KNG (the Kyrgyz Republic national oil & gas company, an entity which is 85.16% owned by the Government of the Kyrgyz Republic) concerning three oil projects in the Kyrgyz Republic (**Projects**) under which PEI will, at its expense, drill 28 development wells over a 3 year period. The Co-Investment Agreement was entered into on 2 October 2013 and has a duration of 20 years. Supplementary agreements to the Co-Investment Agreement were effected on 28 May 2014 (Addendum No. 316) and 3 June 2014 (Agreement No. 328) respectively. Details of the Co-Investment Agreement are set out in section 12.2.

Since entering the Co-Investment Agreement, PEI has drilled 4 development wells in the Marleysu - East Yizbaskent block, and is complying with the Work Program. These wells are awaiting completion (which will allow for the extraction of any oil from these wells) with funds raised under the Offer to be used to drill further wells and for working capital.

Quangas Poly's business model is to complete the Work Program and generate income through the sale of its share of oil produced under the Co-Investment Agreement from the Projects.

5.3 Subsoil Licences and Contractual Subsoil Use Rights

The Projects consist of three blocks which are:

- (a) the development block of Marleysu - East Yizbaskent (also referred to as Marleysu or Mayli-Su IV - East Yisbaskent) (33.8km²);
- (b) the exploration block of Yizbaskent - Arash (also referred to as Yizbaskent-Alash) (171km²); and
- (c) the exploration block of Susamur (also referred to as Susamyr) (334.25km²).

KNG holds the following subsoil use licences (**Subsoil Licences**) relating to the Contractual Use Rights:

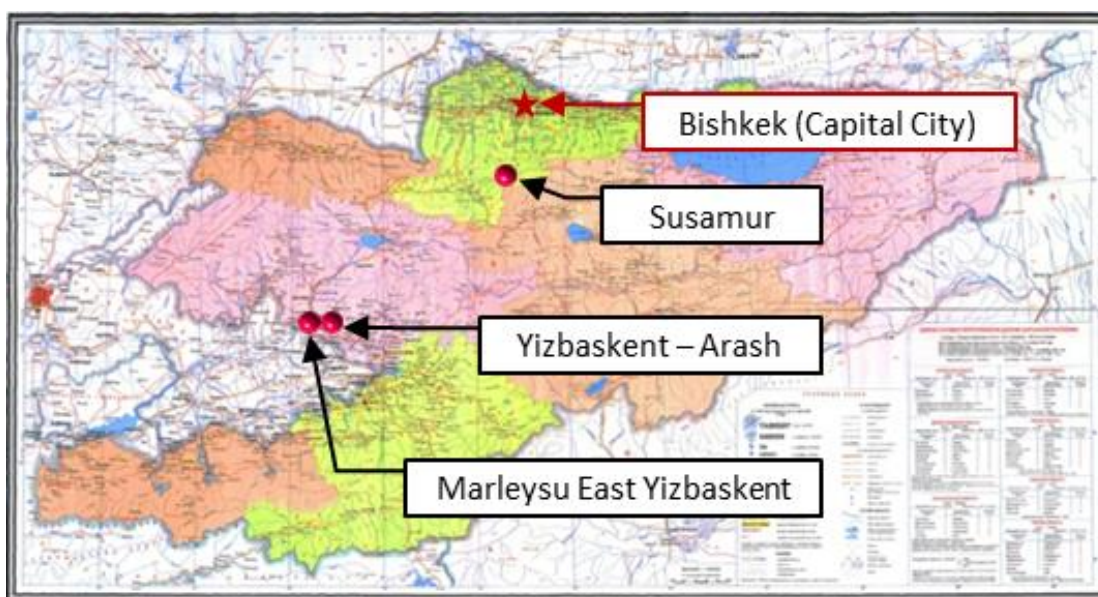
- (d) Licence No. 2520 HE for development of oil on Marleysu - East Yizbaskent, issued on 28 July 1999 and expiring on 11 December 2019;
- (e) Licence No. 410 HП for prospecting of oil and gas on Susamur issued on 21 February 2006, extended on 11 December 2013 and expiring on 31 December 2016; and
- (f) Licence No. 405 HП for prospecting of oil and gas on Yizbaskent - Arash issued on 21 February 2006, extended on 11 June 2013 and expiring on 31 December 2016.

The Projects adjoin large oil producing assets belonging to the governments of the Kyrgyz Republic, where numerous oilfields are in production.

Marleysu - East Yizbaskent is a former producing block, with production started not long before the Kyrgyz Republic gained independence following the dissolution of the Soviet Union in 1991.

The Marleysu - East Yizbaskent block and the Yizbaskent - Arash block are located in the northern edge of Fergana Basin. The Fergana Basin is in the former Soviet Union old oil & gas region, which is between Central Tianshan Mountain and South Tianshan Mountain. The central area of the basin is located in the territory of Uzbekistan and it covers an area of 40,000km², which is one of the important oil & gas bearing basins in Central Asia.

The Susamur block is an intermountain basin and one of the key basins for oil & gas exploration in Kyrgyzstan.



Under Article 22 of the Subsoil Law, the subsoil licence for development is granted for a period of up to 20 years with possible extension until the depletion of the deposit and the subsoil licence for prospecting is granted for a period of up to 5 years with possible extension pursuant to the technical design.

Under the Co-Investment Agreement, PEI has contractual rights to explore and recover oil from the Subsoil Licence areas (**Contractual Subsoil Use Rights**).

Since entering into the Co-Investment Agreement, PEI has entered into an engineering, procurement and construction contract dated 5 March 2014 (**EPC Contract**) with Beijing Orion Energy Technology & Development Co., Ltd (**Beijing Orion**), an entity majority owned by Dr Yang, the Company's executive director. Under the EPC Contract Beijing Orion will, through itself or its subsidiaries or its associated companies (**Beijing Orion Group Companies**) and on behalf of PEI, perform PEI's obligations under the Co-Investment Agreement. To date, Beijing Orion Group Companies have provided PEI planning, drilling, development and other consultation services, mobilised drilling equipment and drilled 4 wells.

The material terms of the EPC Contract are set out at section 12.3 of this Prospectus.

Further information on Beijing Orion is set out in section 5.6.

5.4 The Projects and Independent Technical Report

MHA Petroleum Consultants LLC (**MHA**) has prepared an independent technical report (**Independent Technical Report**) dated 30 September 2014 for the 3 blocks, within which are resources estimate figures. A copy of the report is in section 8.

According to the Independent Technical Report, contingent and prospective resources are defined as per the Society of Petroleum Engineers Petroleum Resources Management System (**SPE PRMS**) 2007 and the SPE 2011 PRMS guidelines which states:

“Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.”

Contingent Resources under this classification have their own degree of geologic and commercial risk.

“Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application in future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.”

Prospective Resources under this classification are as yet undiscovered and as such carry significant exploration risk.

All Contingent and Prospective Resources volumes presented in the Independent Technical Report are unrisks.

Petroleum reserves were not assigned to any of the Projects in the Technical Report.

MHA has prepared a resource estimate as at 30 September 2014 on a 100% working interest basis only, using the information available and based on the analysis methodology described in the Independent Technical Report. Thus the volumes are reported by the lease, and net volumes attributable to any single future well are not reported. This has been done as PEI's economic interest of oil extracted from each Project (which arises under the Co-Investment Agreement, a production sharing contract as defined by the SPE PRMS) is determined by the nature of the area (whether previously explored or not), the well (whether new, inactive or enhanced), timing of extraction (with PEI having a greater economic interest in oil extracted in earlier years), the layer of extraction and, in certain circumstances, the interest to be agreed between KNG and PEI (such agreement to be reached prior to the well in question being drilled or the resource being determined). Details are set out in section 12.2 of this Prospectus.

PEI has brought to MHA's attention and MHA has taken into account that all wells under production at the time of PEI's signing of the licence are solely 100% working

interest to the Government of Kyrgyzstan, even if they are geographically within a PEI allocated area under the Co-Investment Agreement.

The blocks are not subject to any royalties. However, PEI and KNG have agreed a supplemental agreement to the Co-Investment Agreement under which PEI will be liable for reclamation of disturbed land allocations. Details are set out in section 12.2 of this Prospectus.

According to MHA, the resources estimated in the 3 blocks are as follows:

Table 1: Contingent Resource Estimates in tonnes for Marleysu (Gross 100% ownership basis, see above and section 12.2 of this Prospectus for details of the method by which PEI's economic interest is determined).

	Original Oil-in Place (tonnes)			Remaining Contingent Resources (tonnes)		
	Low Case	Best Case	High Case	Low Case	Best Case	High Case
Marleysu	10,612,720	13,354,467	16,596,083	376,533	1,023,486	1,954,516

Table 2: Contingent Resources Estimate in barrels (Gross 100% ownership basis, see above and section 12.2 of this Prospectus for details of the method by which PEI's economic interest is determined).

	Original Oil-in Place (barrels)			Remaining Contingent Resources (barrels)		
	Low Case	Best Case	High Case	Low Case	Best Case	High Case
Marleysu	77,472,856	97,487,609	121,151,406	2,748,691	7,471,448	14,267,967

1C denotes low estimate scenario of Contingent Resources

2C denotes best estimate scenario of Contingent Resources

3C Denotes high estimate scenario of Contingent Resources

There is nil estimated petroleum reserves.

As the contingent resources are being reported for the first time and to comply with Listing Rule 5.33, the following information is disclosed:

- (a) The type and nature of PEI's interest in the Projects is disclosed in section 12.2 of this Prospectus.
- (b) The dataset that MHA used as the basis for confirming the existence of a significant quantity of potentially moveable hydrocarbons and the determination of a discovery was data provided by PEI. The dataset consisted of well completion reports, well logs (LAS files, PDF files, TIFF images), Excel files of compiled well tops, petrologic and petrophysical analyses, various reports on the geology of the Fergana Basin. The quality of

the data as conveyed to MHA by PEI as to well data, production data, and reservoir and fluid properties has been provided by KNG, and has not been verified by PEI nor by MHA.

- (c) The analytical procedures used to estimate the contingent resources are set out at pages 13 to 14 of the Independent Technical Report. In summary the analytical procedures used include building an IHS Petra Project to interpret the well and map data. Using the available SP and Resistivity curves MHA calculated net pays for 67 wells in Zones III, V and VII and mapped out the structure and net pay for each horizon. MHA was also provided the historical production of the Marleysu - East Yizbaskent field within the PEI lease through December 2013 and MHA has estimated the total production of the Marleysu - East Yizbaskent field within the PEI lease through September 30, 2014.
- (d) Using available data, MHA has estimated the net pay and a range of reservoir properties for layer III, layer V, and layer VII, and used these properties to estimate oil-in-place volumes. MHA then applied a range of recovery factors to the oil-in-place volumes, and subtracted the historical cumulative production by seam, as well as the estimated future recoveries by the currently producing wells, to determine the remaining potential resources available to PEI within this area.
- (e) The key contingencies that prevent the contingent resources from being classified as petroleum reserves are the yet to be established firm economics on the execution and performance of horizontal wells.

PEI has indicated that further appraisal drilling and evaluation work to be undertaken to assess the potential for commercial recovery, and to progress the Projects includes horizontal wells, which PEI has yet to attempt. As there are yet to be established firm economics on the execution and performance of horizontal wells, MHA has classified the resources within the previously developed area as Contingent and Prospective Resources. MHA anticipates as PEI demonstrates horizontal drilling costs and flow rates at commercial thresholds, it will be possible to evaluate at that time the migration of Contingent Resources into Reserves.

- (f) The Contingent Resource estimates are not contingent on technology under development and do not relate to unconventional petroleum resources.

Table 3: Prospective Resources Estimate in tonnes (Gross 100% ownership basis, see above and section 12.2 of this Prospectus for details of the method by which PEI's economic interest is determined).

	Original Oil-in Place (tonnes)			Remaining Prospective Resources (tonnes)		
	Low Case	Best Case	High Case	Low Case	Best Case	High Case
Licence						
III Marleysu downdip	1,238,629	1,524,910	1,839,376	118,259	190,974	289,823
Yizbaskent-Arash Total	8,233,828	13,281,675	20,719,585	1,088,161	1,979,499	3,620,804
Susamur Total	23,552,501	62,154,067	123,959,269	484,644	2,289,991	7,575,461

Table 4: Prospective Resources Estimate in barrels (Gross 100% ownership basis, see above and section 12.2 of this Prospectus for details of the method by which PEI's economic interest is determined).

	Original Oil-in Place (barrels)			Remaining Prospective Resources (barrels)		
	Low Case	Best Case	High Case	Low Case	Best Case	High Case
Licence						
III Marleysu downdip	9,041,992	11,131,843	13,427,445	863,291	1,394,110	2,115,708
Yizbaskent-Arash Total	60,106,943	96,956,224	151,252,973	7,943,574	14,450,346	26,431,869
Susamur Total	160,658,683	424,512,281	846,641,808	3,310,119	15,640,641	51,740,400

“The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.”

There is nil estimated petroleum reserves. Contingent resources for Marleysu are disclosed in table 2 above.

As the prospective resources are being reported for the first time and to comply with Listing Rule 5.35, the following information is disclosed (with references to figures in the Independent Technical Report):

- The type and nature of PEI's interest in the Projects is disclosed in section 12.2 of this Prospectus.
- A brief description of the basis on which prospective resources are estimated and any further exploration activities, including studies, further data acquisition and evaluation work and exploration drilling to be

undertaken and the expected timing of those exploration activities are as follows:

- (i) Areas of any PEI licence where there is inadequate drilling or production to support Contingent Resources are classified as Prospective Resources, if a case can be supported for a trap in one or more reservoirs. MHA has classified the prospects on the Yizbaskent - Arash Exploration licence and the Susamur Exploration licence as Prospective Resources. There are two prospects on the Yizbaskent - Arash Exploration licence; an eastern four-way dip closure on the south side of a major reverse fault (Figure 20 of the Independent Technical Report) and a western dip closure on the north side of the reverse fault (Figure 21 of the Independent Technical Report). Both prospects are defined by well control as seismic data is either poor (see Figures 22-23 of the Independent Technical Report) or lacking and thus MHA has taken a probabilistic approach method to the resource volumes by estimating the minimum, most likely and maximum reservoir parameters and using a Monte Carlo simulation to calculate a Low Case, Best Case and High Case OOIP and recoverable volume of oil and gas. In addition, there is an area, labeled District 4, which lies to the west of the Marleysu - IV Development Licence that is on structure and within the area that MHA calculates net pay for in Zone III. MHA has assigned Prospective Resources to this area as well.
- (ii) The Susamur Exploration licence in the Susamur Basin is purely an exploration play with no exploration wells yet drilled in the basin. There is a historical seismic survey that has delineated several prospects, and on the basis of reports from this survey and PEI's work, MHA has assigned Prospective Resources to this licence with the acknowledgement that the exploration risk remains very high until further delineation work is carried out. PEI has commissioned a study by Shandong HaiKuoTianChang Petroleum Technology Development Co., Ltd. Of the China University of Petroleum (East China) which compared the geology of the Susamur Basin to the Ili and the Dzungaria Basins of Xinjiang. As the Susamur belongs to the same micro-tectonic plate within the collision zone of the Asian and Siberian plates and the overall sedimentology and tectonics have been described as similar the use of the Ili and Dzungaria Basins as analogs is an acceptable technique. MHA has used the Shandong deterministic evaluation method as a base case and run a Monte Carlo probabilistic evaluation method of the prospects in the Susamur Licence to create a Low Case, Best Case and High Case Potential Resource evaluation.

- (c) Prospective Resources under this classification are as yet undiscovered and as such carry significant exploration risk. All Contingent and Prospective Resources volumes presented in the Independent Technical Report are unrisks.

There is no certainty that any portion of the prospective resources will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

To prepare the estimates of prospective resources set out above, the probabilistic method was used, that is, based on probabilistic methods there is a low estimate, a best estimate, and a high estimate.

When the range of uncertainty is represented by a probability distribution as is the case here, a low, best, and high estimate is provided such that:

- (a) There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- (b) There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- (c) There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

All Contingent and Prospective Resources volumes presented in the Independent Technical Report are unrisks.

The report containing estimates of contingent resources and prospective resources is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of Timothy L Hower in accordance with the SPE Petroleum Resource Management System guidelines. Mr Hower is the Chief Executive Officer, and a full time employee of MHA Petroleum Consultants LLC, and is a qualified person as defined under ASX Listing Rule 5.42. Mr Hower is a Registered Professional Engineer, a member of SPE, and holds a Bachelor's of Science and Masters of Science degrees in Petroleum Engineering from Penn State University. Mr Hower has over thirty years of experience as a practicing reservoir engineer working on reserves and resource evaluations.

The report is issued with the prior consent of Mr Timothy Hower as to the form and context in which the contingent resources and prospective resources and the supporting information are presented.

Of the amount raised under the Offer, the Company is proposing to spend a minimum of A\$1.95m on exploration and development. Further information on the use of funds is set out in section 5.8 of this Prospectus.

Further information on the Projects is set out in the Independent Technical Report, a copy of which is included in section 8 of this Prospectus.

5.5 The Kyrgyz Republic

The Projects are located in Kyrgyzstan, in the hinterland of Central Asia. It is a strategic passage and communications hub of Eurasia. It is a landlocked country in central Asia with a total area of 198,500km². The neighboring countries are China, Kazakhstan, Tajikistan and Uzbekistan.

The Kyrgyz Republic has a stable, democratically elected government, free market economy, legislative protection for investors and an attractive fiscal framework. It is becoming accessible and the government is actively encouraging oil exploration and development with the aim of achieving energy self-sufficiency.

5.6 Beijing Orion

Beijing Orion was established in 2005. It is headquartered in Beijing and has over 1,000 employees. Its majority shareholder is Dr Yang.

Beijing Orion offers a range of technical services for non-conventional and conventional oil and gas projects, including engineering and construction. Beijing Orion has 11 drilling teams, 13 geo-steering teams and 5 directional drilling teams, 3 connectivity operation teams and 4 coiled tubing operation teams, 6 N2 bubble fracturing operation teams, 2 conventional fracturing teams, 10 pumping operation teams and a Flt-Pak special production and maintenance team. Beijing Orion has established remote production and management centres and developed special digital work platform including ProMan, GasPro, GCRS, Navisys, Nebula and GasMan for the operation command and coordination of the above-mentioned operational teams.

Beijing Orion is licenced to operate in the oil and gas industry, including Grade A qualifications for Gas Exploration Rights and Solid Mineral Exploration Right certified by the PRC Ministry of Land and Resources and Grade A qualification for drilling engineering. Beijing Orion also has other qualifications such as the Beijing High-Technology and New Technology Enterprise and Beijing High-Technology 'Bai Shi Qian' Projects under the support from the Beijing Municipal People's Government.

It has operations across China and North America, and its clients include Petro China, CNOOC and Sinopec.

5.7 Shareholder Meeting to approve the Transaction

A Shareholder meeting to approve (amongst other things) the Transaction will be held on 13 February 2015.

ASX has granted the Company a waiver from listing rule 2.1 condition 2 so that the issue price under the Offer can be A\$0.05 per Share. The waiver has been granted on condition that the issue price for Shares issued under the Offer is:

- (a) A\$0.05; and

- (b) is specifically approved by Shareholders as part of the approvals obtained under Listing Rule 11.1.2.

If the Shareholders do not pass the Resolutions, the Applications will be dealt with in accordance with the Corporations Act including the return of all application moneys without interest.

5.8 Use of funds raised under the Offer

The proposed use of funds raised under the Offer (together with existing funds of approximately US\$280,000 after the balance of the price for the Acquisition is paid)) is broadly as follows:

Use of funds (US\$'000)	Minimum Subscription	Maximum Subscription
Exploration and development: (to be completed in early to mid-2015)		
Well drilling	1,170	1,655
Well repair	40	40
Geological & Surveying Work	686	888
Costs of the Transaction ¹	265	291
First Year's Budgeted Administration Costs	147	355
Cash reserves and working capital ²	796	1,087
Total	3,105	4,316

Notes:

- ¹ The costs of the Transaction are detailed in section 16.9.
- ² All corporate expenses (excluding first years administration costs) and other operating overheads, including but not limited to salaries and fees payable to directors, employees and consultants, will be satisfied from funds allocated to cash reserves and working capital detailed above.

This table is a statement of current intentions as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the way funds will be applied. The Board reserves the right to vary the way funds are applied on this basis.

If the amount raised under the Offer is less than the Maximum Subscription, but more than the Minimum Subscription, after accounting for the reduced costs of the Offer by reason of the reduced fundraising fees, it is intended that the additional

amount raised will be applied to exploration and development under the Work Program.

Subject to Shareholders approving the Transaction, the Company is not aware of there being any impediment to its ability to spend funds on the Projects.

5.9 Pro-forma capital structure

The pro-forma capital structure of the Company following completion of the Acquisition and Offer is as follows:

Number of Shares	Minimum Subscription (A\$3.5m)	Maximum Subscription (A\$5m)
Shares currently on issue ¹	112,356,130	112,356,130
Unlisted Options currently on issue ²	8,152,571	8,152,571
Shares to be issued (or transferred in the case of Treasury Shares) under the Offer ³	70,000,000	100,000,000
Total Shares on issue	182,356,130	212,356,130

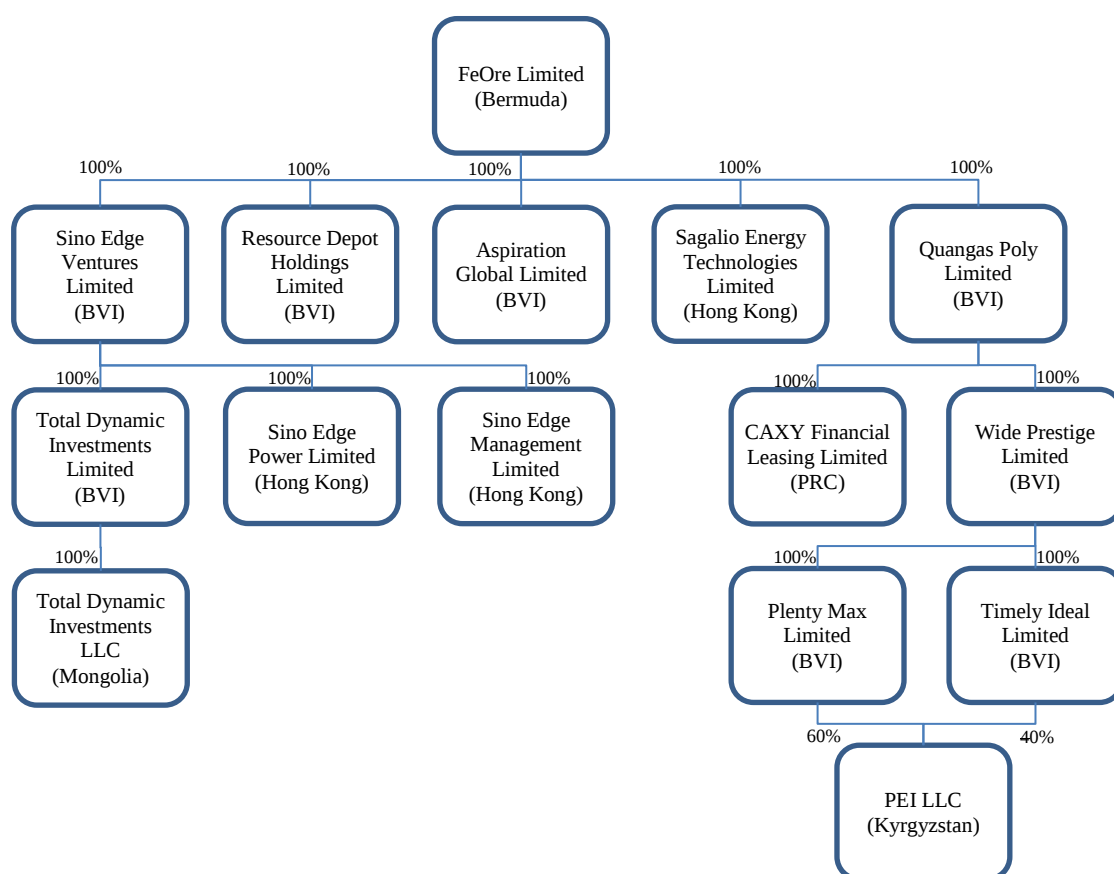
¹ Excluding 416,753,871 Treasury Shares bought back under a Share buy-back exercise undertaken in July 2014.

² The unlisted Options on issue are exercisable at A\$0.25 and expire on or before 9 December 2015. A summary of the terms of the Options is set out at section 15.2.

³ The issue of these Shares is subject to, amongst other things, Shareholder approval at the Shareholder Meeting. See section 13.2 for details.

5.10 Group Structure

Following Completion, Quangas Poly will be a wholly owned subsidiary of the Company and the Company's group structure will be as follows:



Following the Transaction, with the exception of Quangas Poly and its subsidiaries, the Company's subsidiaries will remain dormant companies with no material activities.

5.11 Sufficiency of working capital

The Directors believe that the Company will have enough working capital to carry out its business objectives as described in this Prospectus.

5.12 Dividend policy

Any future determination as to the payment of dividends by the Company is subject to applicable law and will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.

5.13 Financial year

The financial year of the Company will end on 30 June annually.

5.14 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, the Company is not involved in any legal proceedings and the current Directors are not aware of any legal proceedings pending or threatened against the Company.

6 RISK FACTORS

An investment in the Company is not risk free. Before deciding to invest in the Shares, Shareholders and prospective investors should read the entire Prospectus, consider at least the following risk factors in light of their personal circumstances and investment objectives (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional adviser.

The operating and financial performance and position of the Company, the value of Shares and the amount and timing of any dividends that the Company may pay will be influenced by a range of factors. Many of these factors will remain beyond the control of the Company and the Directors. Accordingly, these factors may have a material effect on the Company's performance and profitability which may cause the market price of Shares to rise or fall over any given period.

This section identifies the areas the Directors regard as major risks associated with an investment in the Company. This list is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.1 Risks relating to Quangas Poly and its business

Subsoil Use Rights

PEI has a contractual, rather than a statutory right to explore and extract oil pursuant to the Co-Investment Agreement with KNG. KNG holds the subsoil right (licence) for prospecting oil and gas on Susamur and Yizbaskent - Arash areas. KNG has a licence for development of oil on the Marleysu - East Yizbaskent. PEI has the right to a portion of the produced oil under the Co-Investment Agreement.

According to Article 20 of the Kyrgyz Subsoil Law, subsoil use right can be granted on the basis of a licence, concession and product sharing agreement. PEI has been issued neither a licence nor concession. Contract No. 381 may not necessarily be classified as a product sharing agreement. Contract No. 381 can be terminated by KNG unilaterally if PEI fails to fulfil the terms of the Co-Investment Agreement and agreed Work Program, except for cases when PEI provides evidentiary explanations of not fulfilling the terms, such that PEI retains the right to exploit the drilled and repaired wells. The Co-Investment Agreement does not provide a procedure to prove violation of terms by PEI.

There are risks in seeking to enforce contractual rights against the holder of subsoil use rights; particularly where the holder is a government controlled entity.

Public procurement

Pursuant to the Public Procurement Law and as it is partially owned by the Kyrgyz Government, KNG is required when purchasing goods, works and services to conduct a tender in accordance with the procedure and methods set forth in the Kyrgyz Public Procurement Law.

Kyrgyz Laws provide that certain types of contract shall include certain conditions. The contract is binding if the parties agree on its essential conditions.

The Co-Investment Agreement as originally executed between the Company and KNG did not clearly define the type of the contract. Without amendment, there is a risk that the Co-Investment Agreement could be disputed or there being other negative consequences for PEI.

If the Co-Investment Agreement is classified as a contract for procurement of works and services, there is a risk that it might be disputed (recognised as void) by any interested party (e.g. the Prosecutor's Office, KNG's shareholders, etc.) if the requirements of the Kyrgyz Laws on public procurement were not followed while concluding Contract No. 381.

To minimise this risk, PEI and KNG amended Contract No. 381 and Addendum No. 316 by Agreement No. 328, such that its type, subject and conditions are determined and in accordance with the requirements of the Kyrgyz Laws. Contract No. 381 (as supplemented and amended by Addendum No. 316 and Agreement No. 328) is a joint-investment/cooperation agreement. There is no specific public procurement requirement stipulated under the Kyrgyz Laws for such type of contract. If the Co-Investment Agreement is treated as joint activities (or co-operation) agreement, then the risk of its invalidation due to failure to comply with public procurement procedures is remote.

Preferential right for acquisition of oil

According to Article 21 of the Oil and Gas Law the Kyrgyz Republic has a preferential right for acquisition of oil, gas and their derived products. In case of selling or export of oil, gas and derived products the licensee shall notify the state body authorised by the Government one month prior to such transaction and provide it with this preferential right for acquisition of all or part of oil, gas and derived products received as the result of activities in oil and gas industry. The Kyrgyz Laws do not clearly determine the state body that is entitled to preferential right for acquisition of oil. Cases where this provision of the Oil and Gas Law has been implemented and the preferential right was exercised have not been identified. The Oil and Gas Law is silent about the price to be paid by the Kyrgyz Republic.

Fulfillment of obligations under the Co-Investment Agreement

The Co-Investment Agreement sets out a number of obligations to be performed by PEI in a certain period of time, including drilling 24 wells during 2015-2016, with an estimated cost of between US\$20 million and US\$22 million.

The Co-Investment Agreement can be terminated by KNG unilaterally if any of the obligations or conditions are not fulfilled. If the Co-Investment Agreement is terminated, then PEI will not have the right to perform works indicated in the contract and will lose its interest in the wells drilled to date.

Under the Offer the Company will raise between A\$3.5 million and A\$5 million, and will require additional funds to complete the Work Program; failing which it may be in default under the Co-Investment Agreement. There is a risk that it may not obtain these additional funds (either through further capital raisings or from any future production).

Although under Kyrgyz Laws, KNG is treated as any other private party, in practice, KNG being partly owned by the Government may have administrative support.

Environmental issues

The Co-Investment Agreement prescribes that PEI shall conduct works in compliance with the environmental laws of the Kyrgyz Republic. The Kyrgyz Laws establish certain requirements for environmental and subsoil protection. If PEI does not comply with the environmental laws, PEI and its authorised representatives may be held liable.

Term

The term of the licence of KNG for development of oil on the Marleysu - East Yizbaskent deposit expires on 11 December 2019, having been issued to KNG on July 28, 1999. The term of the licence for the Susamur deposit expires on 31 December 2016, having been issued on 21 February 2006 and extended on 11 December 2013. The term of the licence for the Yizbaskent - Arash deposit expires on 31 December 2016, having been issued on 21 February 2006 and extended on 11 June 2013.

According to Article 22 of the Subsoil Law the subsoil right for development is granted up to 20 years with possible extension until the depletion of the deposit. The subsoil right for prospecting is granted up to 5 years with possible extension pursuant to the technical design.

There is a risk that the licences will not be extended by the Geology Agency when they expire such as in the case of violation of licence agreements and/or laws. Further, if KNG does not fulfill or fulfills any of its obligations improperly under the licence agreements and the Kyrgyz Laws, the Geology Agency may suspend or revoke the licence of KNG.

Land use rights

The status of KNG's rights with regard to the land plots where PEI's activities are or will take place under the Co-Investment Agreement is not known.

In accordance with the Land Code a right for the land plot can be verified by documents establishing title (decrees, decisions, agreements, etc.) and certifying title (state acts, certificates for right of temporary use, etc.). The land plots can be used only in accordance with their category and designated purpose, which are indicated in the land cadastre of the Kyrgyz Republic and title certifying documents. Kyrgyz Laws set out the procedure and conditions to change the

category and designated purpose of land plots where the proposed use or ownership is inconsistent with the current use or ownership.

If KNG does not have a right for the land plots or any part of them or those rights are granted improperly, then PEI may have problems with access to the areas allocated under the Co-Investment Agreement and/or PEI and its authorised persons may subsequently be held liable for unlawful use of land plots, their damage, etc.

Lack of operating History

While the Directors and CEO have significant experience in the oil and gas industry, Quangas Poly has limited operating and as such has no meaningful historical financial information. Quangas Poly's business plan requires significant expenditure, particularly capital expenditure, in its oil and gas industry establishment phase.

There are risks with an investment in early phase operations.

Related party transactions

Under the EPC Contract, Beijing Orion, an entity which is majority owned by Dr Yang, the Company's executive Director, will through the Beijing Orion Companies provide all necessary services and support for PEI to perform its obligations under the Co-Investment Agreement.

The Company has established an independent committee (consisting of the Directors other than Dr Yang and the Company's secretary and external legal counsel) to review and negotiate the terms of each contract under which the services and support are provided and, on behalf of the Company, be satisfied that the services are provided on reasonable market rate terms. Notwithstanding this and given Dr Yang's role as Chairman of the Company, there is a risk that services provided to the Company may not be provided on reasonable market rate terms.

Key personnel

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

Future funding

Substantial capital expenditure is required for oil exploration and production. Specifically, under the terms of the Co-Investment Agreement PEI is required to drill 24 wells during 2015 and 2016 with an estimated total cost of between US\$20 million and US\$22 million. To do so, PEI will need to either raise additional funds, generate funds from future production on the existing wells and/or otherwise secure funding that will allow it to complete the wells. There is a risk that this

may not occur, or occur on terms unfavourable to the Company and its existing Shareholders. Failing to comply with the Work Program may jeopardise PEI's rights under the Co-Investment Agreement.

Legislative changes and International initiatives

Changes in government regulations and policies of Bermuda, BVI, Australia and Kyrgyzstan and international initiatives of organisations such as the Organisation for Economic Co-operation and Development and the Financial Action Task Force aimed at "offshore" jurisdictions may adversely affect the financial performance of the Company.

6.2 Risks relating to the oil and gas industry

Commodity risks

Quangas Poly will be adversely affected by any substantial or extended decline in prices for crude oil, which may make further exploration, development or production uneconomic.

Exploration, appraisal, development and production

The future profitability of Quangas Poly and the value of the Company's Shares directly relates to the results of exploration, appraisal, development and production of oil. No assurances can be given that funds spent on such activities will result in outcomes that are economically viable. Drilling activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of rigs and/ or other equipment. Drilling may result in wells that, while encountering oil, may not achieve economically viable results.

Specifically, the blocks contain contingent and prospective resource estimates respectively. Further work is required on the Marleysu - East Yizbaskent block to demonstrate horizontal drilling costs and flow rates at commercial thresholds prior to the contingent resources being upgraded to reserves.

There are no known undue exploration risks in Yizbaskent - Arash. The prospect in area 1 is a 4-way dip structure with seismic and good well control with wells on structure. The prospect in area 3 has no associated seismic data but is a mono-clinal dip structure from the field oil-water contact on the adjacent producing block updip to the lease line. The prospect in area 4 is an extension of the field limits from the production area into an area of more limited well control but still on structure.

The evaluation of the Susamur licence is limited by an extreme lack of tangible data; with no known well penetrations, no detailed geological map, and no basic level gravity or magnetic surveys.

Any determination of oil reserves and resources is an expression of judgment based on knowledge, experience and industry practice. Reserve and resource

determinations which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, reserve and resource determinations are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the analyses may change. This may result in alterations to exploration, appraisal, development and production plans which may, in turn, adversely affect Quangas Poly's operations.

Operating risks

Oil exploration, appraisal, development and production operations are subject to a number of operational risks and hazards including fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. The occurrence of any of these risks could result in legal proceedings being initiated against Quangas Poly and potentially substantial losses to Quangas Poly due to injury or loss of life, damage to or destruction of property, natural resources, or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Oil exploration, appraisal, development and production are generally considered a high-risk undertaking. The operations of Quangas Poly may also be affected by a range of factors, including:

- (a) operational and technical difficulties encountered in drilling;
- (b) difficulties in commissioning and operating plant and equipment;
- (c) mechanical failure or plant breakdown; unanticipated drilling problems which may affect production costs; and
- (d) adverse weather conditions; industrial and environmental accidents; industrial disputes; and, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Commercialisation

Should Quangas Poly recover what would otherwise be commercial quantities of oil, there is still no guarantee that Quangas Poly will be able to successfully transport the oil to commercially viable markets, or sell the oil to customers to achieve a commercial return. Quangas Poly may not be able to secure satisfactory oil transportation arrangements; there may be no readily available market; and no or limited access to pipelines.

Pipeline access arrangements may also be subject to interruption rights which may adversely affect Quangas Poly.

Environmental laws and regulations

The proposed exploration and development of oil are subject to Kyrgyz environmental laws. As with most oil production there will most likely be an environmental impact. It is Quangas Poly's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all applicable environmental laws however there is always a risk of exposure to environmental costs and liabilities arising out of Quangas Poly's operations. In particular, this exposure may arise from the handling of hydrocarbons and wastes, emissions to the air and water, the underground injection or disposal of wastes and historical industry operations and waste disposal practices. As a result, substantial liabilities to third parties or government entities may be incurred, the payment of which could reduce or eliminate funds available for future exploration and development.

Oil price volatility

International and domestic oil prices fluctuate widely and are affected by numerous factors beyond the control of Quangas Poly, such as industrial and retail supply and demand, exchange rates, inflation rates and changes in global economies. The economic viability of the Projects will be dependent upon the future price of oil. Price declines in the market value of oil could result in commercial production from the Projects becoming uneconomic. Depending on the price of the commodity, Quangas Poly could be forced to discontinue production or development and may lose, or be forced to sell, some of its interest in some of the Projects.

Exchange rate risks

International prices of oil in Kyrgyzstan are typically denominated in Kyrgyzstani Som, whereas the income and expenditure of Quangas Poly is and will be reported in US dollars, exposing Quangas Poly to the fluctuations and volatility of the rate of exchange between the Kyrgyzstani Som and the US dollar as determined in international markets. Drilling obligations and associated commitments are payable in US dollar while PEI's operating expenses, production costs and other administrative fees may be payable in Kyrgyzstani Som. To the extent that there are unfavourable movements in the exchange rate, Quangas Poly's proposed use of funds raised under the Offer would thereby decrease.

Labour risk

Quangas Poly's operations may be adversely affected by labour disputes or changes in Kyrgyzstan immigration and labour laws. Workers may form or join trade or labour unions and they may also strike to obtain improved working conditions and benefits and bargain collectively for higher wages.

Insurance

Insurance of all risks associated with oil exploration, appraisal, development and production is not always available and, where available, the cost can be high.

Quangas Poly may not be insured against all possible losses, whether because of the unavailability of cover or because the premiums may be excessive relative to the benefits that would accrue.

6.3 Risk factors relating to the Kyrgyz Republic

Quangas Poly's assets and operations are located in Kyrgyzstan. The location may create challenges for the Board and the Company's auditors in accessing reliable information to independently verify and test information provided by management. Further, there is a risk of political instability. Quangas Poly's operations and oil exploration and development activities are affected in varying degrees by political stability and government regulations relating to foreign investment, social unrest, corporate activity and the oil and gas business conducted in Kyrgyzstan. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation in Central Asia and the former Soviet Union. The Company's ability to conduct operations or exploration and development activities is subject to KNG obtaining and/or renewing permits or concessions, changes in laws or government regulations or shifts in political attitudes beyond the company's control. Any adverse change to either the sub-soil laws or tax regime in Kyrgyzstan could have a materially adverse effect on Quangas Poly and its operations.

Profits arising from the discovery and commercialisation of oil and gas fields in the Kyrgyzstan will be subject to Kyrgyzstan taxation and that tax treatment may vary significantly from that which applies in Australia or elsewhere in the world.

There can be no assurance that industries deemed of national or strategic importance will not be nationalised. Government policy may change to discourage foreign investment, renationalization of oil and gas industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that Quangas Poly's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. While there are often provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would effectively restore the value of Quangas Poly's original investment.

Quangas Poly's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, labour legislation, safety and annual fees to maintain project in good standing. There can be no assurance that the laws in Kyrgyzstan protecting foreign investment will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

With its operating assets to be located in Kyrgyzstan, there is a risk that the Company may not have recourse to the assets of Quangas Poly and PEI, to meet any possible claims that may be made against the Company. Alternatively, any recourse may, as a result of its location be difficult due to the application of Kyrgyzstan laws and processes, language and distance.

6.4 Risks relating to the Transaction

The Company has undertaken both legal and financial due diligence on Quangas Poly and its subsidiaries, and obtained appropriate warranties from the Seller. However, there are risks associated with any acquisition, including unknown liabilities and claims, or lack of title to one or more assets owned by Quangas Poly and its subsidiaries.

Subject to Shareholder approval, the Directors have agreed to subscribe for up to 50% of the Offer Shares issued. Together with their existing direct and indirect shareholdings in the company, the Directors will collectively hold up to 42.23% (based on Minimum Subscription) and up to 43.32% (based on Maximum Subscription) of the Company. There is a risk that, when voting their Shares, the Directors interests may not be aligned with the interests of other Shareholders.

6.5 Other risks

Statutory protection for shareholders

The Company is incorporated in Bermuda as an exempted company under the Bermuda Companies Act 1981 (**Companies Act**). The Corporations Act may provide shareholders of Australian-incorporated companies with rights and protection to which there may be no corresponding or similar provisions under the Bermuda Companies Act. As such, if Applicants invest in Shares, they may or may not be afforded the same level of shareholder rights and protection that a shareholder of an Australian incorporated company may be afforded under the Corporations Act.

In addition, the Company's Bye-laws contain a broad indemnity by the Company in favour of the Directors and officers of the Company in respect of all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in their execution of their duty or in their respective offices. However, the indemnity does not extend to any matter involving any fraud or dishonesty on the part of the officer or Director. This indemnity limits the right of Shareholders to assert claims against the officers and directors of the Company unless the act or failure to act involves fraud or dishonesty.

Some information on the laws of Bermuda is set out at section 14 of this Prospectus. The information on the laws of Bermuda set out in this Prospectus is not intended to be and does not constitute legal advice and any potential Applicant wishing to have advice on the differences between Bermuda company law and the

Corporations Act and/or the laws of any jurisdiction with which the Applicant is not familiar is recommended to seek independent legal advice.

Enforcement of judgments in Bermuda

The Company is a Bermuda exempted company. As a result, the rights of holders of Shares will be governed by Bermuda law and the Company's Bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Most of the Directors and some of the named experts reside in jurisdictions outside Australia. All of the Company's assets and most of the assets of such persons may be located outside Australia. As a result, it may be difficult for investors to effect service of process on the Company and those persons who are not in Australia or to enforce in Australia judgments obtained in Australian courts against the Company or those persons based on the civil liability provisions of Australian securities laws. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including Australia, against the Company, or the Directors or officers of the Company under the securities laws of those jurisdictions or entertain actions in Bermuda against the Company or the Directors or officers under the securities laws of other jurisdictions.

More information on the enforcement of judgments in Bermuda is set out at section 14 of this Prospectus.

Absence of takeover regulation for Companies incorporated in Bermuda

There are presently no requirements under any Bermuda laws or regulations of general application requiring persons who acquire significant shareholdings in the Company to make take-over offers for the Shares. As the Company is incorporated in Bermuda, the provisions of the Corporations Act relating to takeovers and substantial shareholdings will not apply to offers for the Shares.

6.6 General investment risks

In addition to the above specific risks associated with the Company's proposed operations there are also general risks associated with an investment in the Shares. These include:

(a) Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors. Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

(b) Economic risk

Changes in world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

(c) Legal Proceedings

Legal proceedings may arise from time to time in the course of the business of the Company. As at the date of this Prospectus, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

7 DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

7.1 Directors

The Company is managed by the Board of Directors. The Board currently comprises 4 Directors. Profiles on each of the Directors are set out below.

(a) **Mr Harry King Hap Lee** - Chairman & Non-executive Director

Mr King graduated from Xian Jiaotong University in 1983. He worked for various central government departments and state-owned enterprises for a considerable period of time and has more than 20 years' experience in government organisations and enterprises management. Mr King was the deputy director and Chairman of Workers Union of Mechanic and Electronic Products Importation and Exportation Office of the State Council, the deputy general manager of China Machinery Industry Marketing & Supply Shenzhen Group Corporation and managing director of China National Machinery Hong Kong Company.

Mr King is currently an executive director and CEO of Sino Oil and Gas Holdings Limited (702.HK), a Hong Kong listed company.

(b) **Dr Louis Yang Luwu** - Executive Director & Chief Executive Officer

Dr Yang is a renowned leader with more than 20 years of experience in the oil & gas industry in the PRC. Dr Yang is a founder and controlling shareholder of Beijing Orion Energy Technology Development Co., Ltd., a top oil & gas service company in the PRC with over 1,000 employees, and the company was licensed by the PRC Central Government with Class-A certificates to operate in the oil & gas exploration and development businesses. The company has served Petro China, CNOOC and Sinopec for more than 9 years. Dr Yang was the founding CEO and president of Asian American Gas Inc., which currently produces more than 1 million cubic meters of natural gas per day. Dr Yang holds a Doctorate degree in Geology from China University of Mining and Technology.

(c) **Mr Steven Hodgson** - Non-executive Director

Mr Hodgson has 20 years of extensive experience in the mining industry, the last 8 years as a mining consultant working for clients across the globe in multiple commodities. Mr Hodgson is experienced in data management, exploration, resource estimation, feasibility study and legal compliance adhering to international mining codes. Mr Hodgson holds a Bachelor of Applied Science degree in Geology from Curtin University in Western Australia, and a Graduate Diploma in Information Systems from Curtin University Business School. He is a member of the Australian Institute of Geoscientists and Australasian Institute of Mining and Metallurgy.

Mr Hodgson held no directorships in other listed entities other than FeOre during the three years prior to the current year.

(d) **Mr He Chuan** - Non-executive Director

Mr He has over 30 years of experience in the field of strategic investment and corporate management. Mr He has served as a senior management in numerous China and Hong Kong corporations, and was previously a vice-president of Sino Oil & Gas Holdings Ltd (702.HK) focusing on project development. Mr He holds a Bachelor degree majoring in Politics from Fujian Normal University.

Mr He held no directorships in other listed entities other than FeOre during the three years prior to the current year.

7.2 Management

- (a) Dr Louis Yang is Executive Director & Chief Executive Officer of the Company. His details are set out in section 7.1(b).
- (b) Mr Chen Chik (Nicholas) Ong is the Company Secretary of the Company. Mr Ong is a member of Chartered Secretaries Australia and has a MBA from the University of Western Australia. He was a Principal Adviser at the Australian Securities Exchange in Perth with seven years' experience in listing rules compliance.

7.3 Directors' holdings

The Directors' interests in Shares are as follows:

	Directly Held	Indirectly Held
Mr Harry King Hap Lee	Nil	28,000,000 Shares ¹
Dr Louis Yang Luwu	Nil	14,000,000 Shares ²
Mr Steven Hodgson	Nil	Nil
Mr He Chuan	Nil	Nil

¹ Shares held by Sagalio Limited, a company of which Mr King is a director and sole shareholder.

² Shares held by Jolly Medal Limited and Major Port Limited, companies of which Dr Yang is a director and sole shareholder.

7.4 Remuneration received by the Directors and their related entities

The Bye-laws provide that the ordinary remuneration of the Directors shall be as the Board may decide, but the total amount provided to all Directors for their services as directors must not exceed in aggregate in any financial year the amount

fixed by the Company in general meeting and may not consist of a commission on, or percentage of, operating revenue.

The aggregate remuneration for all non-executive Directors has been set at an amount of US\$600,000 per annum by the Company in general meeting. The Directors have resolved that non-executive Director's fees will collectively be US\$185,000 per annum for the non-executive Directors.

The remuneration of the executive Director, being US\$250,000 per annum, has been fixed by the Board via a service agreement. The material terms of the service agreement are summarised in section 12.6.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

In the previous 2 years the Directors have been paid the following remuneration from the Company:

	Payment (US\$)
Mr Harry King Hap Lee (appointed 9 July 2014)	71,774.19
Dr Louis Yang Luwu (appointed 9 July 2014)	119,623.64
Mr Steven Hodgson (appointed 5 August 2013)	27,125.16
Mr He Chuan (appointed 1 June 2014)	5,160.21

7.5 Officer protection deeds

The Company has entered into officer protection deeds on standard terms with each of its current Directors. Those deeds indemnify the Directors in respect of certain liabilities and legal expenses incurred by them whilst acting as Directors and insures them against certain risks they are exposed to as Directors. The Company also, subject to the Bermuda Companies Act, pays insurance premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings while acting in the capacity of a Director.

7.6 No other Directors interests

Other than as set out below or elsewhere in this Prospectus, no Director holds, either at the date of this Prospectus, or at any time during the last 2 years before the date of lodgment of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or

- (c) the Offer;

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- (d) to a Director to induce him or her to become, or to qualify as, a Director; or
(e) for services provided by a Director in connection with the formation or promotion of the Company or the Offer.

7.7 Corporate governance

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfill this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has developed a number of corporate governance policies which it will continue to adopt following its change of nature and scale. A summary of the Company's corporate governance policies is included in the Company's 2014 Annual Report which was announced to ASX on 29 September 2014.

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Resource Evaluation of the Marleysu East Yizbaskent, Yizbaskent-Arash and Susamur Blocks in Kyrgyzstan

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September 30, 2014

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As part of the proposed transaction contemplated by FeOre Limited (FEO) involving a potential investment in PEL LLC (PEI) and at the request of FEO, MHA Petroleum Consultants (MHA) has performed an evaluation and assessment of the Contingent and Potential Resources on permits of which PEI has a contractual interest in, namely: Marleysu East Yizbaskent Oilfield, Yizbaskent-Arash Exploration Target Area and the Susamur Exploration Area in Kyrgyzstan. (Figure 1) The evaluation was based on technical data supplied by PEI in the way of historical well completion reports, historical evaluations, well logs and seismic data and an "Integrated Exploration and Development Research Approach Study" contracted for PEI by the Shandong Haikuo TianChang Petroleum Technology Development Co. Ltd.

MHA has prepared a resource estimate, on a 100% working interest basis only, using the information available and based on the analysis methodology described in this report. PEI has represented to MHA that the licenses described in this report are currently valid and PEI is the operator of all further well operations for new wells on these licenses. PEI has brought to MHA's attention and MHA has taken into account that all wells under production at the time of PEI's signing of the license are solely 100% working interest to the Government of Kyrgyzstan, even if they are geographically within a PEI license boundary.

Resource Estimates

The resource estimates presented in this report have been prepared for publication in Australia under the Australian Stock Exchange (ASX) reporting rules using an evaluation approach for conventional resources which is consistent with Society of Petroleum Engineers Petroleum Resources Management System (SPE PRMS) 2007 and the SPE 2011 PRMS guidelines (attached). PEI has indicated to MHA that it intends to develop the Marleysu East Yizbaskent Oilfield through a series of horizontal stimulated wells which at the time of this report PEI has yet to attempt, nor has PEI presented cost and economic data that could be verified. For the purposes of this report, MHA has assigned volumes of recoverable oil and gas in areas where there has been historical production to Contingent Resources, pending demonstration of commercial economics, and volumes of recoverable oil and gas in areas outside of historical production to Prospective Resources. Prospective Resources are defined as per the PRMS which state:

"Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub- classified based on project maturity."



Prospective Resources under this classification are as yet undiscovered and as such carry significant exploration risk. All Contingent and Prospective Resources volumes presented in this report are unrisks.

A summary of those estimates is shown in the tables below.

Table 1: Contingent Resource Estimates in tonnes (Gross 100% ownership basis)

License	Original Oil-in Place (tonnes)			Remaining Contingent Resources (tonnes)		
	Low Case	Best Case	High Case	Low Case	Best Case	High Case
Marleysu East Yizbaskent	10,612,720	13,354,467	16,596,083	376,533	1,023,486	1,954,516

Table 2: Contingent Resource Estimates in barrels (Gross 100% ownership basis)

License	Original Oil-in Place (barrels)			Remaining Contingent Resources (barrels)		
	Low Case	Best Case	High Case	Low Case	Best Case	High Case
Marleysu East Yizbaskent	77,472,856	97,487,609	121,151,406	2,748,691	7,471,448	14,267,967

Table 3: Prospective Resource Estimates in tonnes (Gross 100% ownership basis)

License	Original Oil-in Place (tonnes)			Remaining Prospective Resources (tonnes)		
	Low Case	Best Case	High Case	Low Case	Best Case	High Case
III Marleysu East Yizbaskent downdip	1,238,629	1,524,910	1,839,376	118,259	190,974	289,823
Yizbaskent-Arash License Total	8,233,828	13,281,675	20,719,585	1,088,161	1,979,499	3,620,804
Susamur License Total	23,552,501	62,154,067	123,959,269	484,644	2,289,991	7,575,461

Table 4: Prospective Resource Estimates in barrels (Gross 100% ownership basis)

License	Original Oil-in Place (barrels)			Remaining Prospective Resources (barrels)		
	Low Case	Best Case	High Case	Low Case	Best Case	High Case
III Marleysu East Yizbaskent downdip	9,041,992	11,131,843	13,427,445	863,291	1,394,110	2,115,708
Yizbaskent-Arash License Total	60,106,943	96,956,224	151,252,973	7,943,574	14,450,346	26,431,869
Susamur License Total	160,658,683	424,512,281	846,641,808	3,310,119	15,640,641	51,740,400

“The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and



evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.”

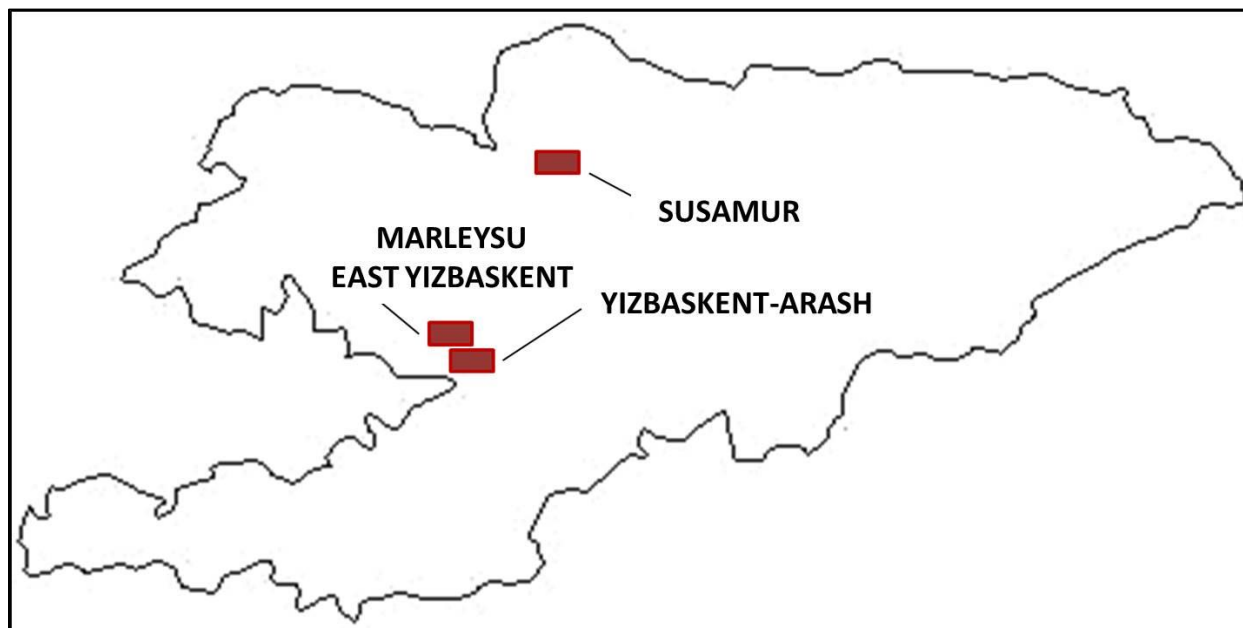


Figure 1: Location of the three PEI permits within Kyrgyzstan

Development Permit Marleysu East Yizbaskent Oilfield

Development Interest: PEI LLC (PEI) PSC with Kyrgyzneftegaz (KNG)

New Production Well: KNG 40% \ PEI 60%

Rejuvenate a non-production well or abandoned well: KNG 35% \ PEI 65%

Enhancement of an existing Production well: KNG 60% \ PEI 40%

Exploration well: KNG 30% \ PEI 70%

New wells in high volume output block: KNG 20% for year 1, 55% thereafter \ PEI 80% for year 1 and 45% thereafter

Area: 33.8 Square Kilometers

Grant of Exploration Permit: 20 years from 2014

Term: Mandatory Work Program specified for 3 years

Work Program

Type	Reservoir	2014	2015	2016
Production well	III-XIX	Provide 2 rigs and drill 4 wells	Drill 12 wells	Drill 12 wells
Workover	III-XIX	Provide 2 workover rigs: 10 workovers	1 rig and 15 workovers	1 rig and 15 workovers



Enhancement			3 hydraulic fracturing wells	3 hydraulic fracturing wells
-------------	--	--	---------------------------------	---------------------------------

Exploration Permit Yizbaskent-Arash

Development Interest: PEI LLC (PEI) PSC with Kyrgyzneftegaz (KNG)

New Production Well: KNG 40% \ PEI 60%

Rejuvenate a non-production well or abandoned well: KNG 35% \ PEI 65%

Enhancement of an existing Production well: KNG 60% \ PEI 40%

Exploration well: KNG 30% \ PEI 70%

New wells in high volume output block: KNG 20% for year 1, 55% thereafter \ PEI 80% for year 1 and 45% thereafter

Area: 171 Square Kilometers

Grant of Exploration Permit: 20 years from 2014

Term: Mandatory Work Program specified for 3 years

Work Program

Type	Reservoir	2014	2015	2016
Exploration well	III-XIX	Exploration every year	Exploration every year	Exploration every year

Exploration Permit Susamur

Development Interest: PEI LLC (PEI) PSC with Kyrgyzneftegaz (KNG)

Exploration well: KNG 30% \ PEI 70%

New wells in high volume output block: KNG 20% for year 1, 55% thereafter \ PEI 80% for year 1 and 45% thereafter

Area: 334 Square Kilometers

Grant of Exploration Permit: 20 years from 2014

Term: Mandatory Work Program specified for 3 years

Work Program

Type	Reservoir	2014	2015	2016
Exploration well	As of yet unknown	Exploration every year	Exploration every year	Exploration every year



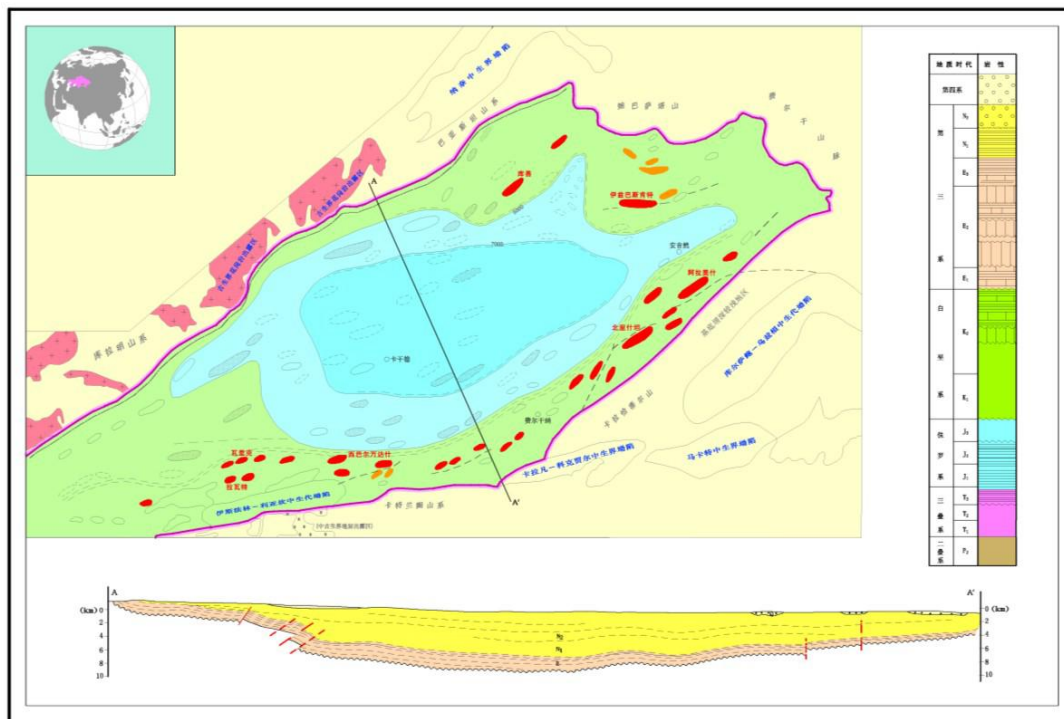


Figure 2: Fergana Basin, the location of the Marleysu East Yizbaskent Oilfield Development Lease and the Yizbaskent-Arash Exploration Lease

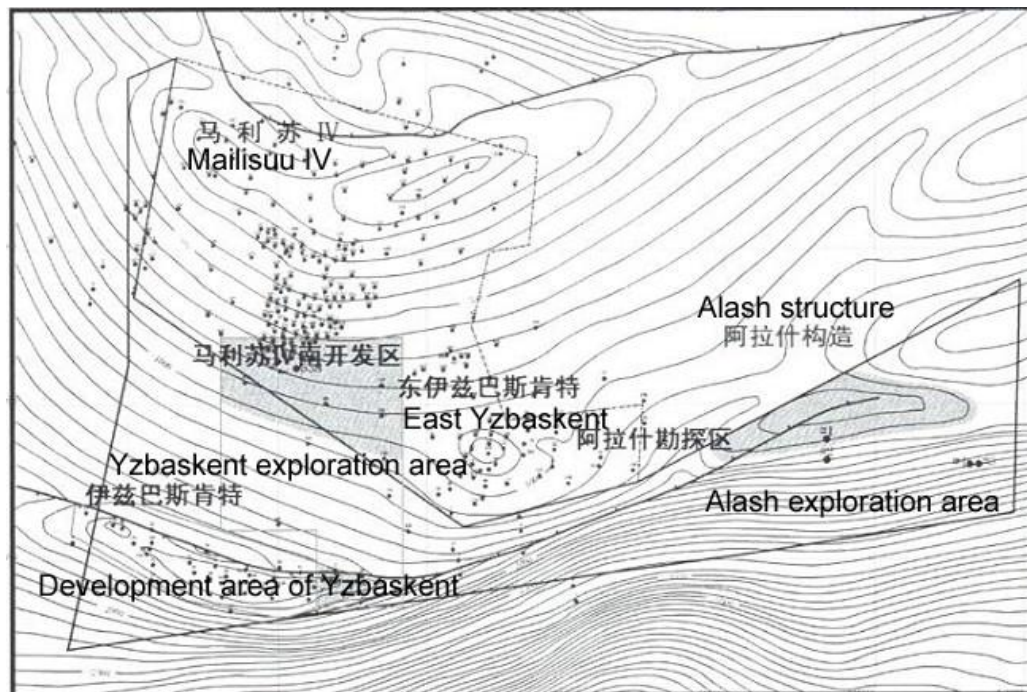


Figure 3: Marleysu East Yizbaskent Development License and the East Yizbaskent-Arash Exploration area with the generalized geologic structure map as provided by Shandong HTPTD.

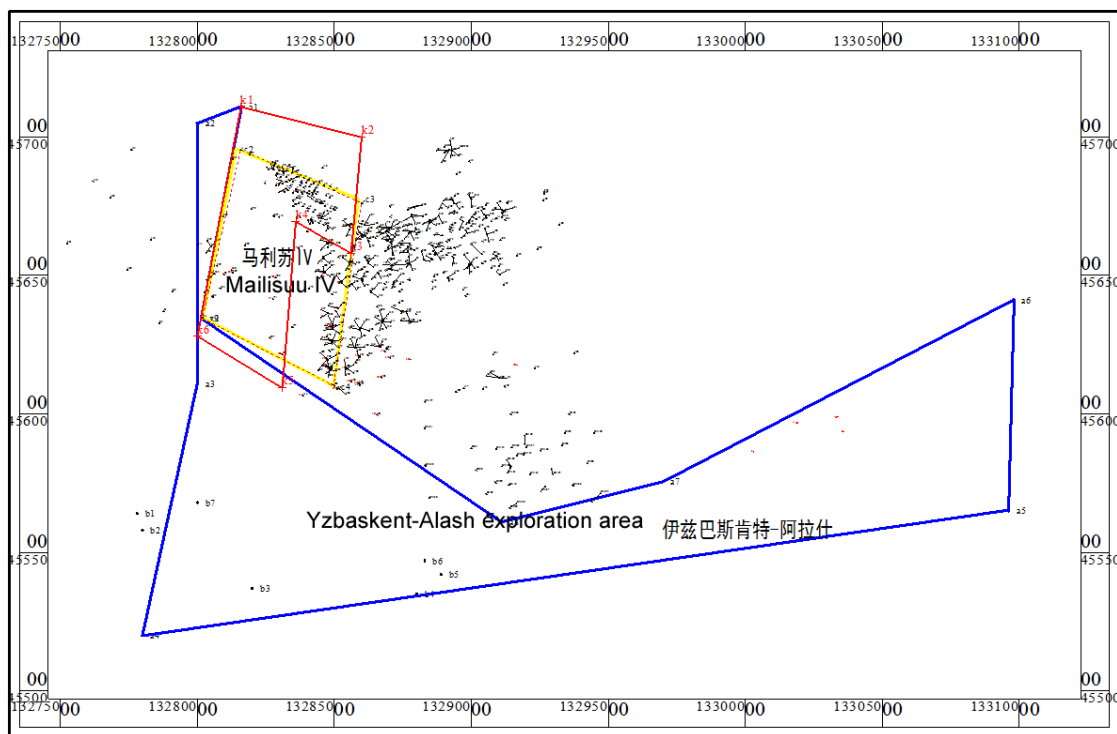


Figure 4: PEI Data Set for the Marleysu East Yzbaskent Development and the Yzbaskent-Arash Exploration Licenses

Introduction

Regional Geology

The Fergana Basin sits astride the borders of Uzbekistan, Tadzhikistan and Kyrgyzstan and is approximately 300 kilometers long with a maximum extent of about 120 kilometers. It is an intermountain basin with over 55 discovered oil and gas fields in compressional traps generally along the southern margin in primarily Tertiary aged reservoirs. (Figure 5) Exploration and oil discovery began as early as 1900, although bitumen deposits were known at least as early as Marco Polo's journey through the "Silk Road". There are over 30 defined pay zones in the Fergana basin, all within the Paleozoic and Cenozoic section. They are designated Zone I through XXXII in order of increasing depth (DOE/EIA-0575(94)).

There have been three primary stages of tectonic development; An early Miogeoclinal stage of primarily clastic deposition from the Cambrian until the Permian then the second stage, a Platform Stage following the Hercynian Orogeny from the Late Permian until the Alpine Orogeny in the late Oligocene and the last stage, a Final Orogenic Stage where the Fergana Basin is one of several "West China" Tertiary Basins formed during the Alpine Orogeny.



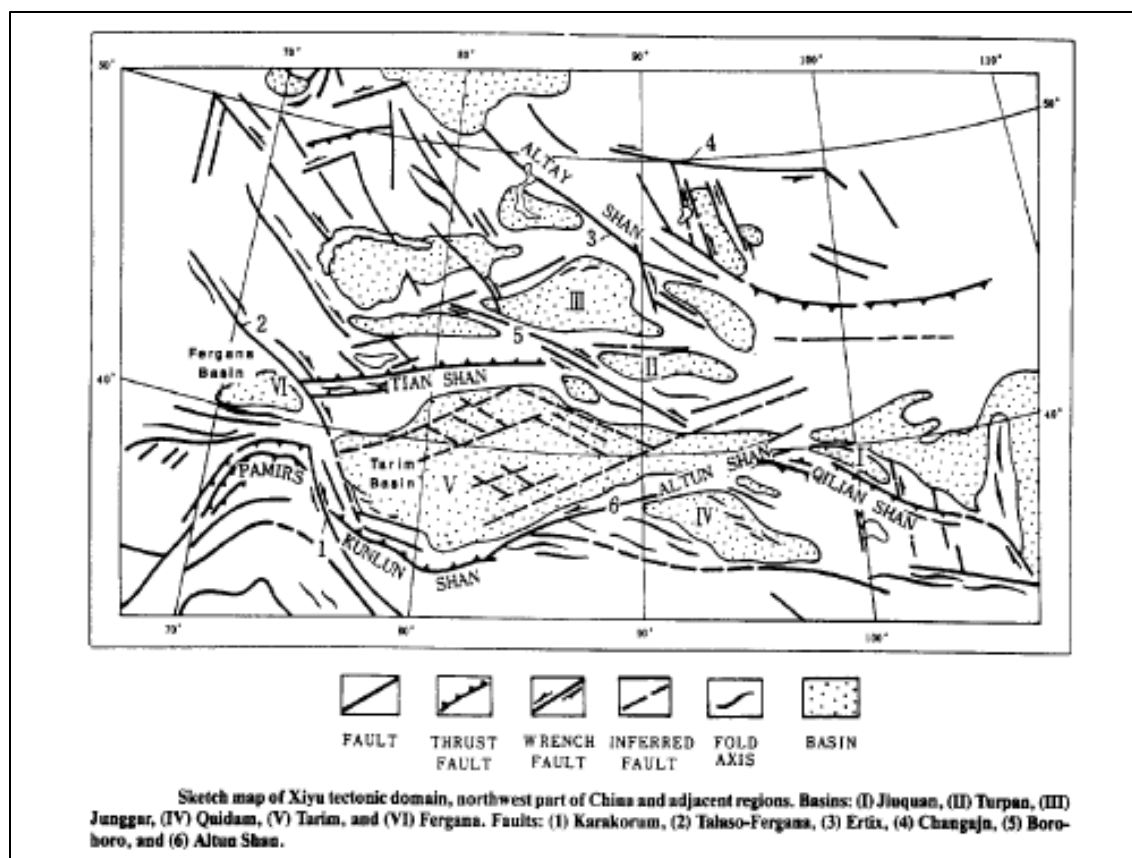


Figure 5: Xiyu tectonic domain, northwest part of China and adjacent regions.

Stratigraphy

According to Beznosov, 1987, the Lower Jurassic are the oldest known rocks of the sedimentary fill of the Fergana Basin however there are suggestions that Triassic and Permian sediments may exist in the center of the basin as there are descriptions of slightly metamorphosed sediments of that age in the mountains surrounding the basin. The Lower Jurassic is comprised of conglomerates, sandstones and occasional coal beds. The Middle Jurassic consists of sandstone, siltstone, claystones and thin coals. Thicknesses range from 100 to 300m. The Upper Jurassic is a sequence of redbeds; conglomerates and sandstones with red claystones that alternate with a total thickness of up to 400m. There are several known pay zones in the Jurassic labeled XXIII to XXIX from top to bottom.

The Lower Cretaceous sediments are well developed in the eastern and southeastern section of the Fergana Basin and maintain the continental clastic deposition patterns that were developed in the Upper Jurassic (Khodzhayev and others, 1973). The Muyan Formation of Neocomian-Aptian age has twelve pay zones (XI-XXII), all are sandstones that typically shale out towards the center of the basin. The total thickness of the Muyan Formation is highly variable (5-300m) as it thins along the basin margin.

The Albian section is comprised of the Lyakan formation (30-80m) and the Kyzyl-Pilyal Formation (5-400m). The Lyakan is a gray to pink limestone and is designated pay zone XVIIIg. The Kyzyl-Pilyal Formation is a bedded red sandstone and variegated claystone with lenses of gypsum and palygorskite indicating periods of arid climate and high salinity. It contains pay zones XVIIIa, XVIIIb, and XVIIIv.

The Cenomanian is primarily a thick (480m) sandstone unit in the eastern Fergana Basin. Known as the Kalachin Formation there are no known pay zones perhaps due to no internal seals. Above the Kalachin lies the Turonian Ustricha Formation, a carbonate unit known for its mollusk shells. The thickness is fairly consistent 30-40m and pay zones XVI and XVII are in this formation. The Late Cretaceous Turonian-Senonia Yalovach Formation (15-66m) consists of variegated sandstones, red and green claystones and argillaceous sandstones and contains pay zone XVa. The uppermost Cretaceous unit is the Senonian Pestrotsvet marl. It can be a well formed limestone and contain pay zones XI-XV. Thickness can range from 15m at the edge of the basin to over 250m in the center of the basin.

The Tertiary Cretaceous boundary is marked by a continuous white gypsum bed called the Goznau Formation (Paleocene) which ranges in thickness from 2m in the west to over 100m in the east of the Fergana Basin. It has been designated pay zone X. Above it lays the Bukhara Formation limestone beds, two additional pay zones; VIII and IX. The Eocene is called the Susak Formation which have a wide range of thickness from 10m in the west to almost 100m in the east. The Susak Formation is primarily interbedded sandstone and claystones that grade upwards into a limy dolomite. There are no known productive reservoirs in the Susak unit.

Pay Zone VII is the middle Eocene Alay Formation which is a carbonate bed that can vary from 10-160m in thickness. It is generally bioclastic in nature and often fractured. It is bounded by claystone beds. The Upper Eocene contains the Turkestan Beds (50m), the Rishtan Beds (40m), and the Isafara Beds (30m). In general this is a gradational sequence from limestones and sandstones (Pay Zones VI, and V) upward to a gray dolomite (50m) that exists only in the eastern Fergana Basin (Pay Zone V). This dolomite is also a bioclastic carbonate that is heavily fractured. The Isafara beds are dominantly gray-green claystones. These grade into the lower Oligocene Khanabad Formation, a 30-40m green clay with no reservoir beds. After this time there is no evidence of any marine deposition in the Fergana Basin (Nalivkin, 1973).

The Middle Oligocene contains the primary productive zone of the Fergana Basin, the Sumsar Formation and Pay Zone III. This is primarily continental sandstone that thickens to the west and splits into an upper and lower pay zone with the upper zone designated as Pay Zone II. Neogene orogenic events associated with the Alpine Orogeny created boundary high elevations on all sides of the Fergana Basin and shed debris into the basin to create what is known as the Cenozoic Molasse. Two stages are described (Khodzayev, et al, 1973) the Massaget and the Baktria stage. The Massaget is lower Neogene "brick-red" and "pale-pink" sandstones, siltstones and conglomerates more than 4,000m thick. The Baktria stage overlays the Massaget and is mostly claystones with conglomeratic fans around the edge of the basin. It too can reach 4,000m in thickness in the center of the basin. Quaternary lacustrine and fluvial sediments are present in the center of the basin where they can reach a thickness of 500m.



The primary reservoir system of the PEI lease in the Marleysu area is the Paleocene-Eocene-Oligocene System that was deposited during the Platform Stage. The region that is now part of the Fergana Basin was part of the Tethys Sea. The total thickness of the Paleogene can range from less than 100m to greater than 700m in the basin center. (Figure 6)

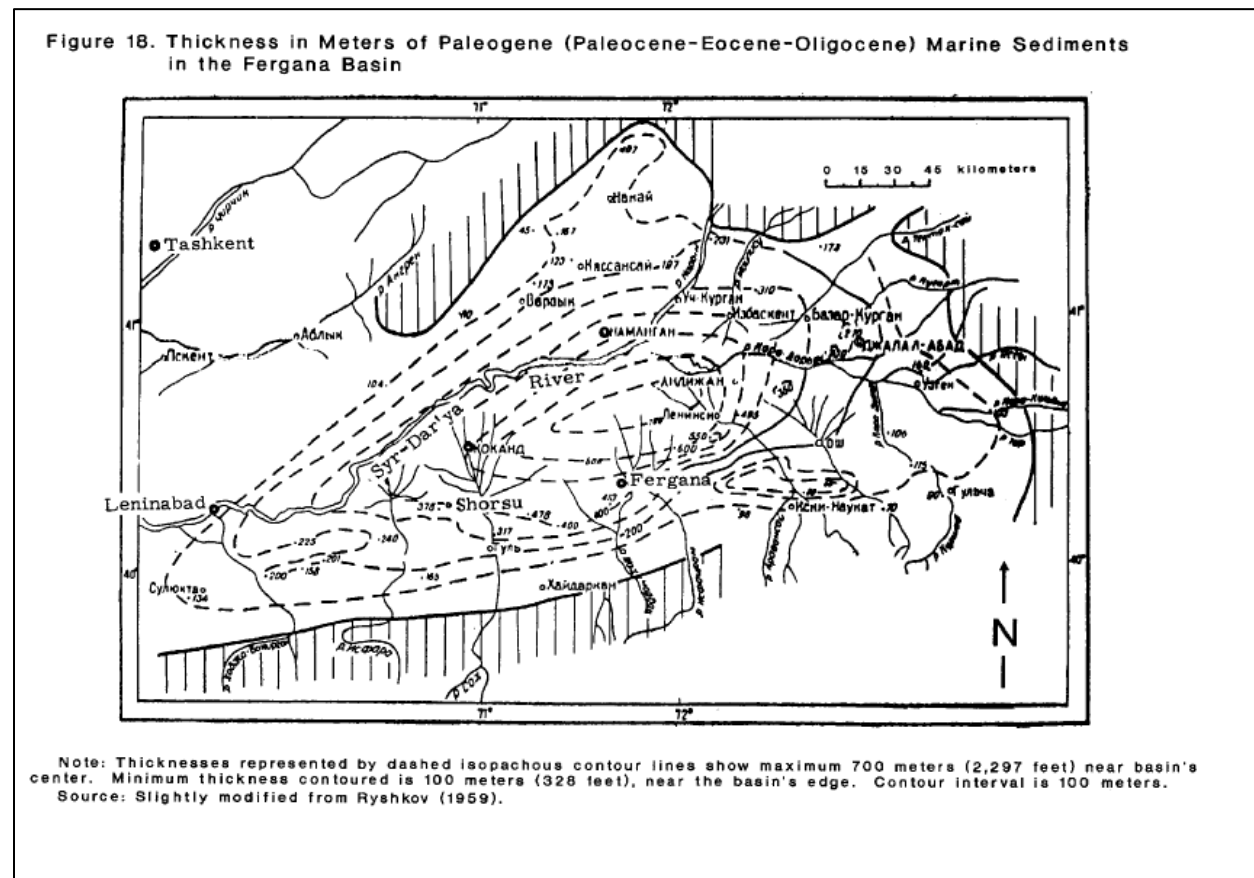


Figure 6: Paleogene Marine Sediment thickness in the Fergana Basin.

The Marleysu East Yizbaskent Oilfield was discovered in what is now Kyrgyzstan in the eastern most extent of the Fergana Basin in 1948. Production has been established in the greater field from fourteen separate reservoirs, including several Cretaceous and Jurassic formations. In the area of the PEI license there are 138 drilled wells and most of the production is from three reservoirs: the Oligocene Layer III low permeable siltstone and Layers V and VII, both Eocene fractured limestones. The stratigraphic section is represented by the type log (well #60). (Figure 7) The display is the common curves available: two resistivity curves and a Spontaneous Potential (SP) curve.

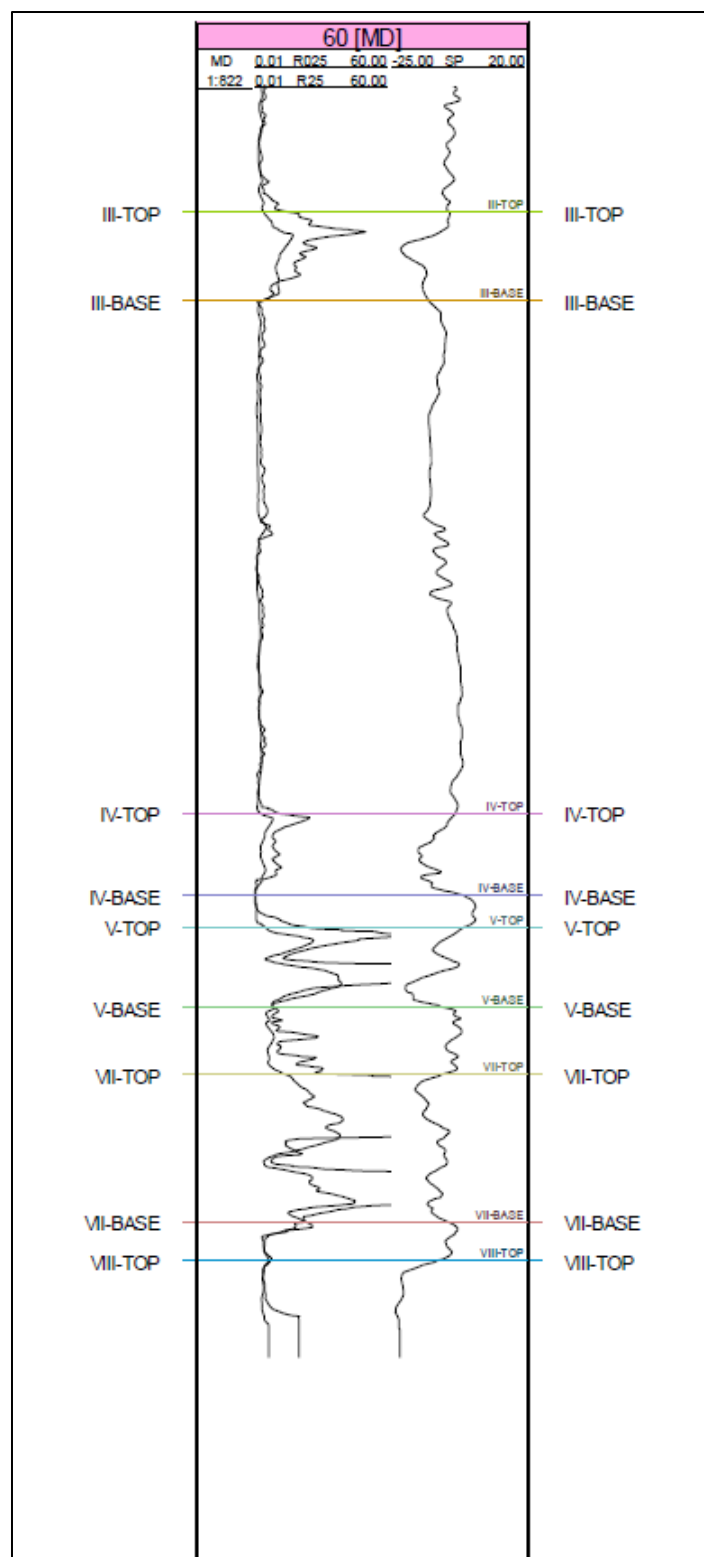


Figure 7: Diagram of the Productive Reservoirs and Log Markers of the Marleysu East Yizbaskent Oilfield

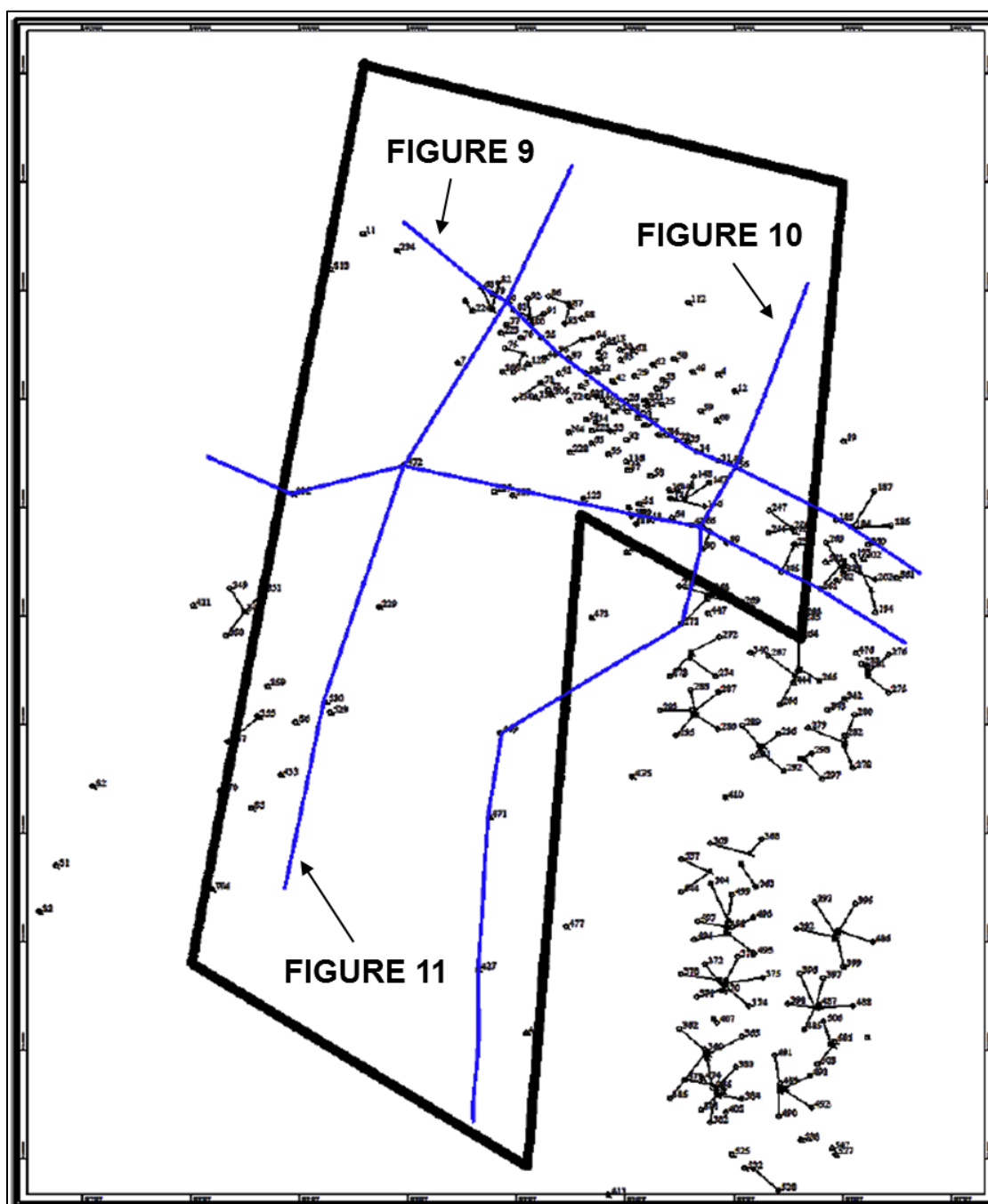


Figure 8: Marleysu East Yizbaskent Oilfield well locations, and cross-section references.

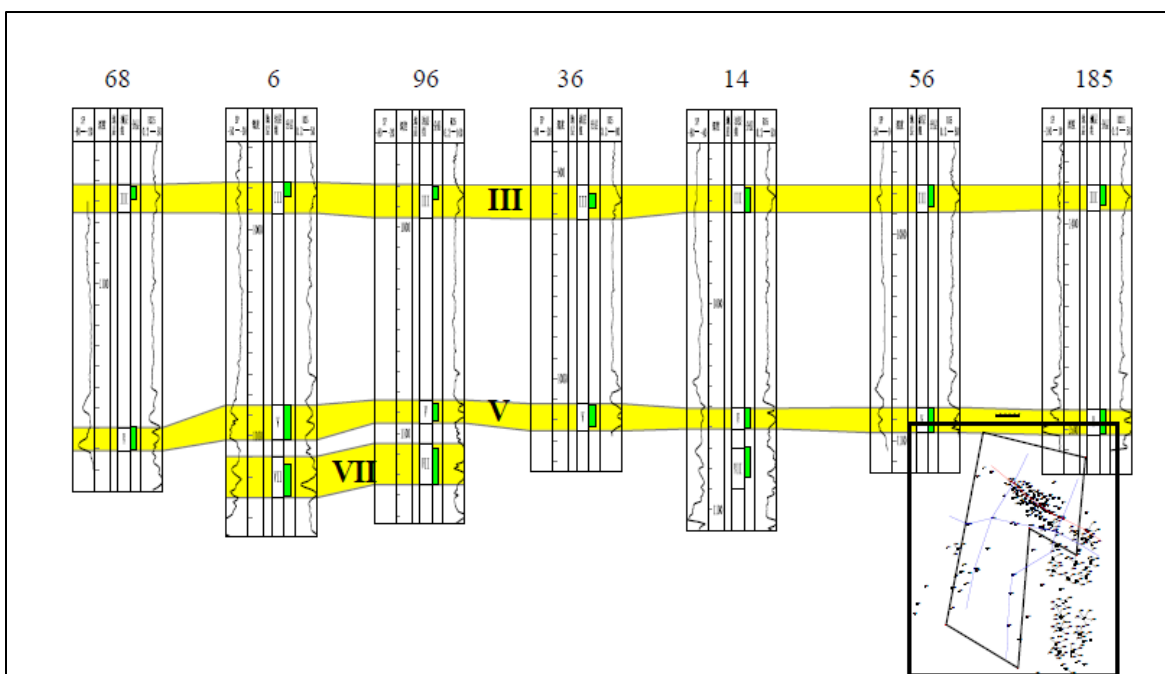


Figure 9: West to East Stratigraphic Cross-Section (Flattened on the top of Zone III) showing the reservoirs Zone III, V and VII.

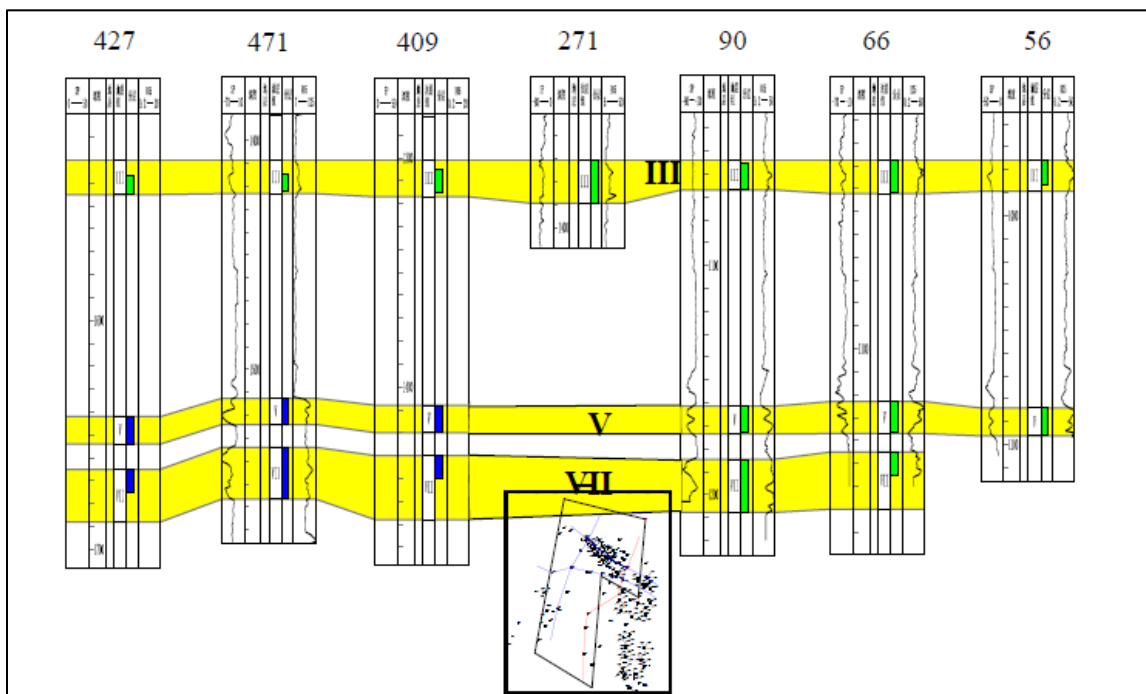


Figure 10: South to North Stratigraphic Cross-Section (Flattened on the top of Zone III) showing the reservoirs Zone III, V and VII. Green indicates oil zones, Blue indicates water zones.

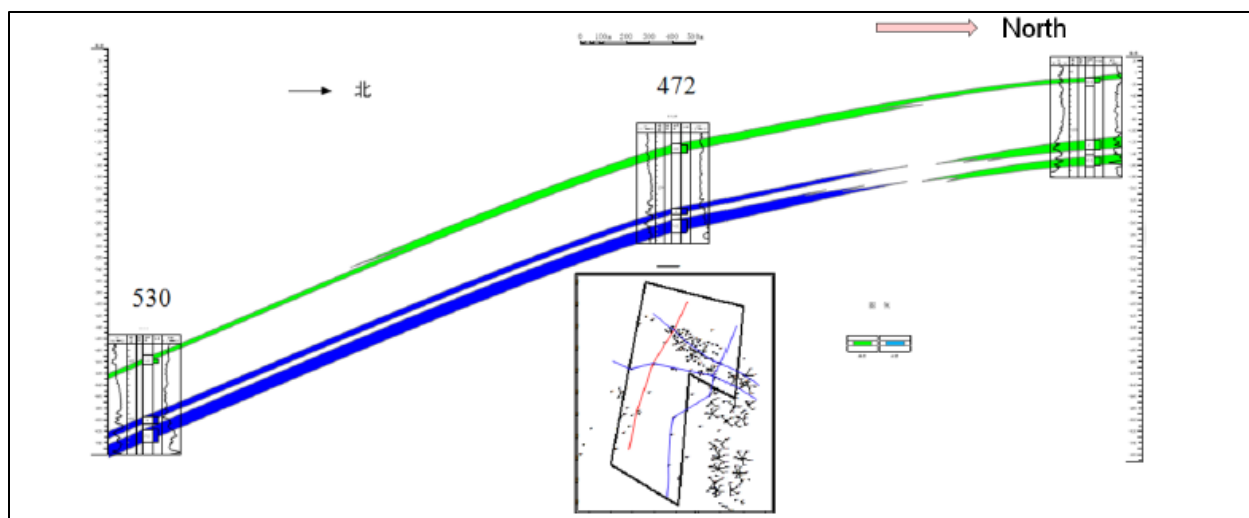


Figure 11: South to North Structural Cross-Section showing the reservoirs Zone III, V and VII. Green indicates oil zones, Blue indicates water zones.

Methodology

MHA built an IHS Petra Project to interpret the well and map data. The dataset that MHA used was data provided by PEI. The dataset consisted of well completion reports, well logs (LAS files, PDF files, TIFF images), Excel files of compiled well tops, petrologic and petrophysical analyses, various reports on the geology of the Fergana Basin. The quality of the data as conveyed to MHA by PEI as to well data, production data, and reservoir and fluid properties has been provided by Kyrgyzneftegaz (The National Oil & Gas Company), and has not been verified by PEI nor by MHA.

Using the available SP and Resistivity curves MHA calculated net pays for 67 wells in Zones III, V and VII and mapped out the structure and net pay for each horizon. (Figures 12-17) MHA was also provided the historical production of the Marleysu East Yizbaskent field within the PEI lease through December 2013 and MHA has estimated the total production of the Marleysu East Yizbaskent field within the PEI lease through September 30, 2014. MHA has been informed that all wells that were under production at the time of PEI's signing of the license are solely 100% working interest to the Government of Kyrgyzstan, even if they are geographically within a PEI license boundary. Based on the provided data, MHA is aware of five wells that are still currently classified as active: two wells in Layer III, two wells in Layer V, and one well in Layer VII. As PEI is currently not allowed to drill within the same Spacing Unit as the currently producing wells, MHA has estimated potential future recoverable volumes of these producing wells, and has factored this into the resource estimates provided in this report.

Using available data, MHA has estimated the net pay and a range of reservoir properties for Layer III, Layer V, and Layer VII, and used these properties to estimate oil-in-place volumes.



MHA then applied a range of recovery factors to the oil-in-place volumes, and subtracted the historical cumulative production by seam, as well as the estimated future recoveries by the currently producing wells, to determine the remaining potential resources available to PEI within this area. As PEI has indicated that the forward plan of development will be through horizontal wells, which PEI has yet to attempt, and there are yet to be established firm economics on the execution and performance of horizontal wells, MHA has classified the resources within the previously developed area as Contingent and Prospective Resources. MHA anticipates as PEI demonstrates horizontal drilling costs and flow rates at commercial thresholds, it will be possible to evaluate at that time the migration of Contingent Resources into Reserves.

MHA has not stated net resources in this report as the PEI/KNG interest split is on a per well basis depending on the type and status of the well. Thus the volumes in this report are reported by the lease and net volumes attributable to any single future well are not reported.

Areas of any PEI license where there is inadequate drilling or production to support Contingent Resources are classified as Prospective Resources, if a case can be supported for a trap in one or more reservoirs. MHA has classified the prospects on the Yizbaskent-Arash Exploration license and the Susamur Exploration license as Prospective Resources. There are two prospects on the Yizbaskent-Arash Exploration license; an eastern four-way dip closure on the south side of a major reverse fault (Figure 20) and a western dip closure on the north side of the reverse fault (Figure 21). Both prospects are defined by well control as seismic data is either poor (see Figures 22-23) or lacking and thus MHA has taken a probabilistic approach to the resource volumes by estimating the minimum, most likely and maximum reservoir parameters and using a Monte Carlo simulation to calculate a Low Case, Best Case and High Case OOIP and recoverable volume of oil and gas. In addition, there is an area, labeled District 4, which lies to the west of the Marleysu-IV Development License that is on structure and within the area that MHA calculates net pay for in Zone III. MHA has assigned Prospective Resources to this area as well.

The Susamur Exploration license in the Susamur Basin is purely an exploration play with no exploration wells yet drilled in the basin. There is a historical seismic survey that has delineated several prospects, and on the basis of reports from this survey and PEI's work, MHA has assigned Prospective Resources to this license with the acknowledgement that the exploration risk remains very high until further delineation work is carried out. PEI has commissioned a study by Shandong HaiKuoTianChang Petroleum Technology Development Co., Ltd. Of the China University of Petroleum (East China) which compared the geology of the Susamur Basin to the Ili and the Dzungaria Basins of Xinjiang. As the Susamur belongs to the same micro-tectonic plate within the collision zone of the Asian and Siberian plates and the overall sedimentology and tectonics have been described as similar the use of the Ili and Dzungaria Basins as analogs is an acceptable technique. MHA has used the Shandong deterministic evaluation as a base case and run a Monte Carlo probabilistic evaluation of the prospects in the Susamur License to create a Low Case, Best Case and High Case Potential Resource evaluation.



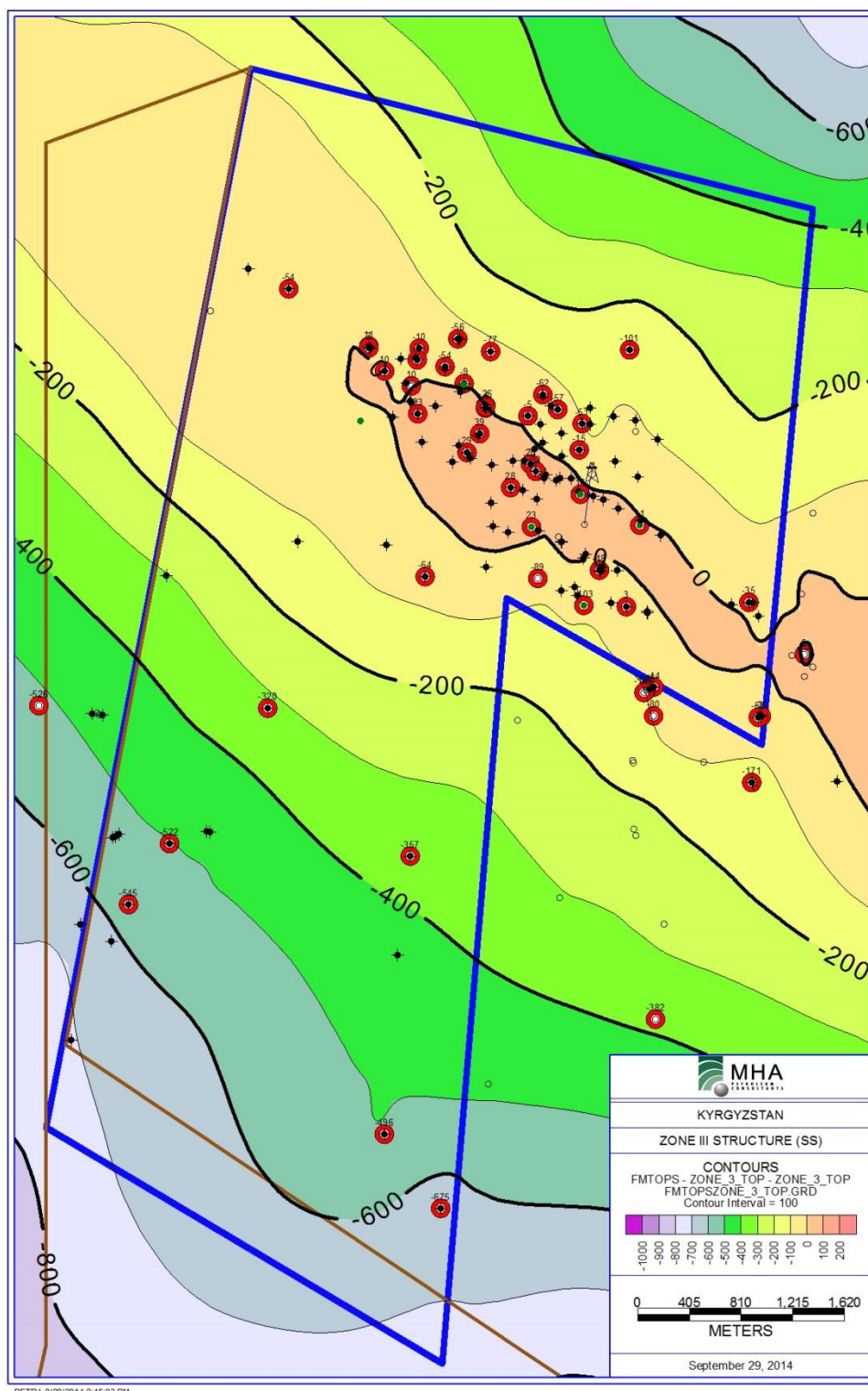


Figure 12: MHA interpretation of the Structural top of the Layer III. (Posted values of SSTVD of Layer III)

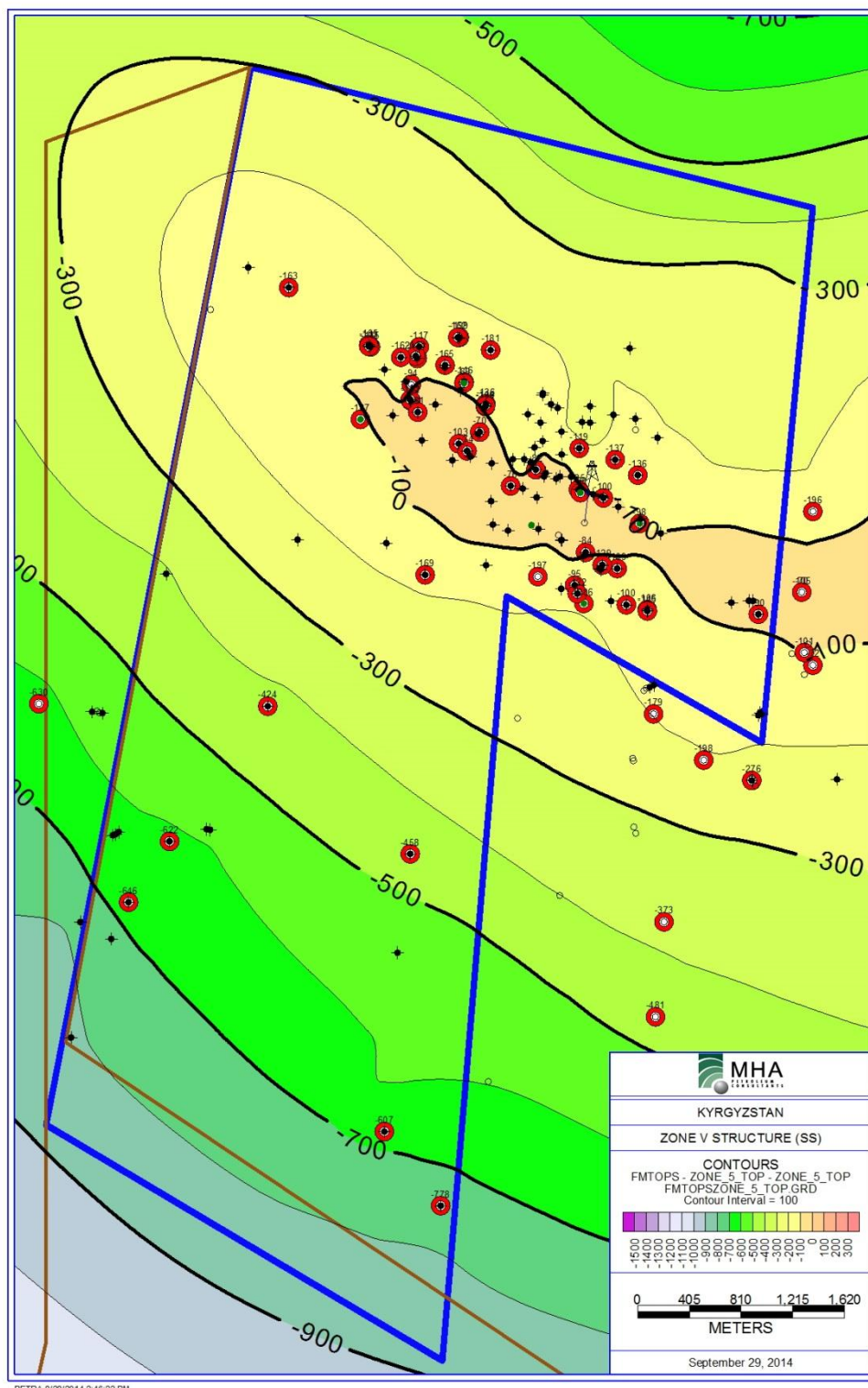


Figure 13: MHA interpretation of the Structural top of the Layer V. (Posted values of SSTVD of Layer V)

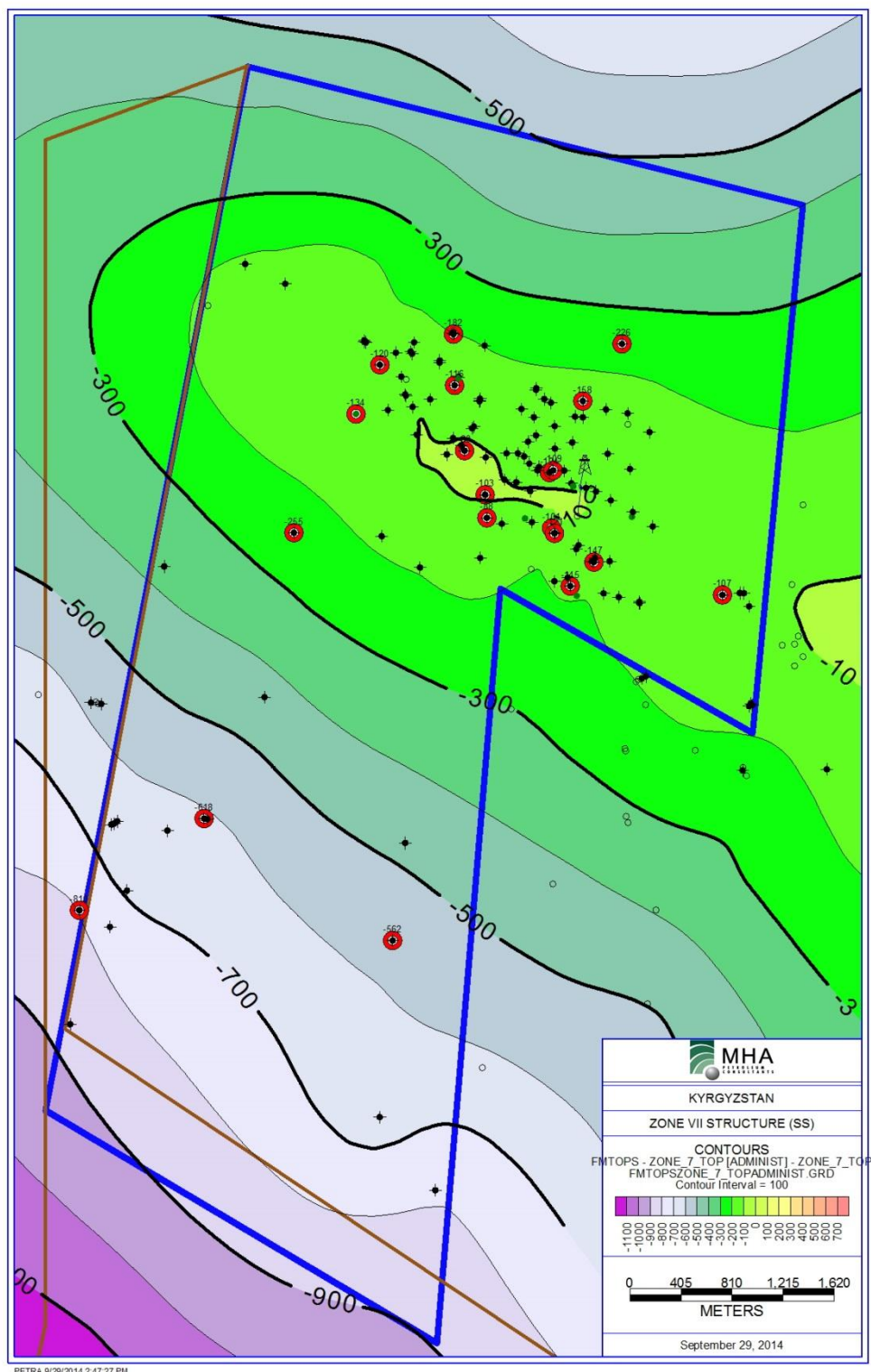


Figure 14: MHA interpretation of the Structural top of the Layer VII. (Posted values of SSTVD of Layer VII)

Mailisuu IV– East Yzbaskent Oilfield						
Position	Layer No.	Average burial depth m	Effective thickness	Lithology	Porosity	Permeability
Paleogene system	III	1350	5.4	Limy siltstone	15.1	54-120
	V	1445	9.1	Limestone	8.4-12.6	16-69
	VII	1460	8.4	Bioclast limestone	9.9	36-40
(Resources: geological data of Mailisuu – East Yzbaskent)						

Figure 15: Lithology, Permeability and Porosity summary of the major reservoirs within the Marleysu East Yzbaskent Oilfield (Shandong)

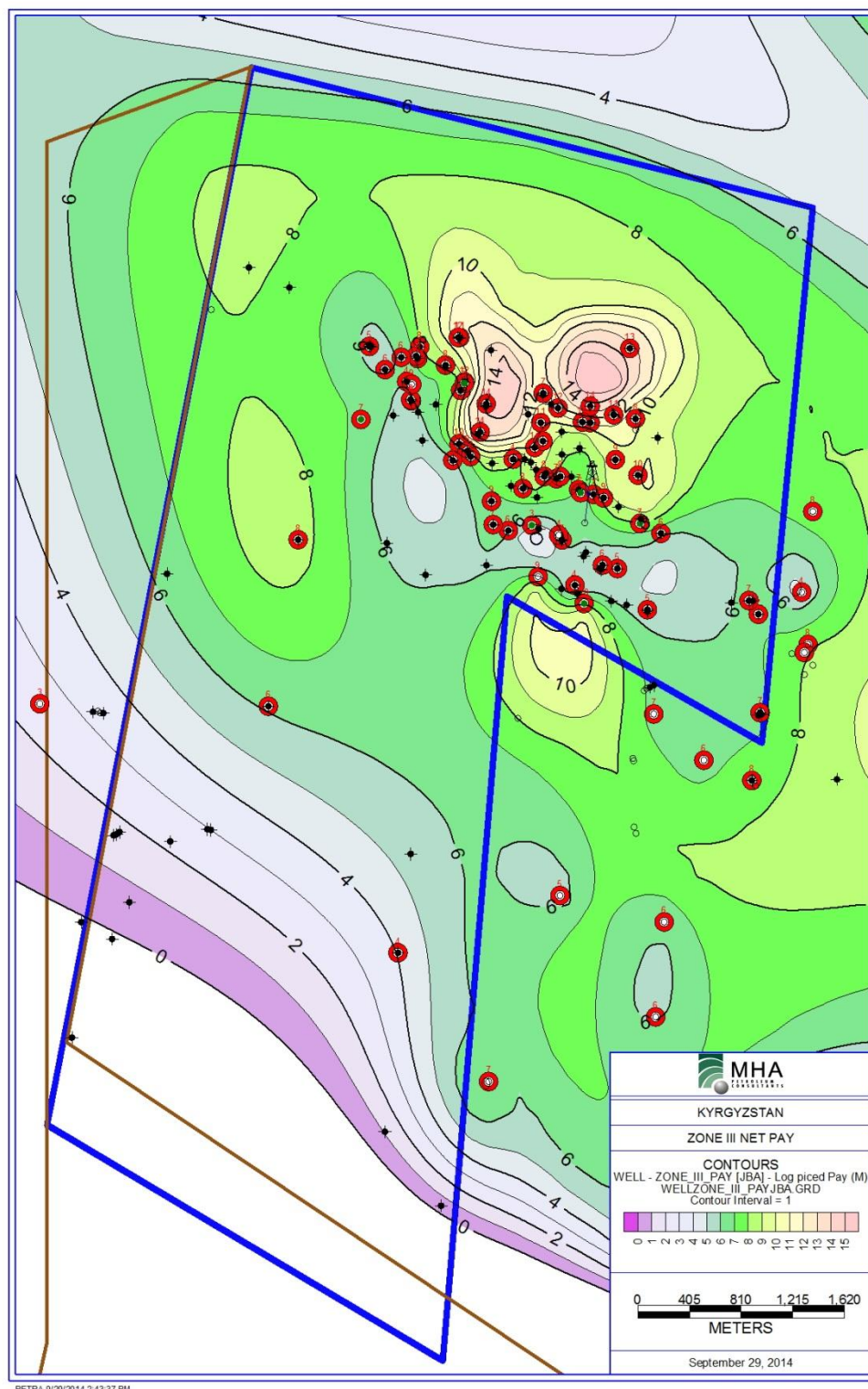


Figure 16: MHA interpretation of the Net Pay of Layer III. (Posted values of SSTVD of Layer III in black and Net Pay of Layer III in red.)

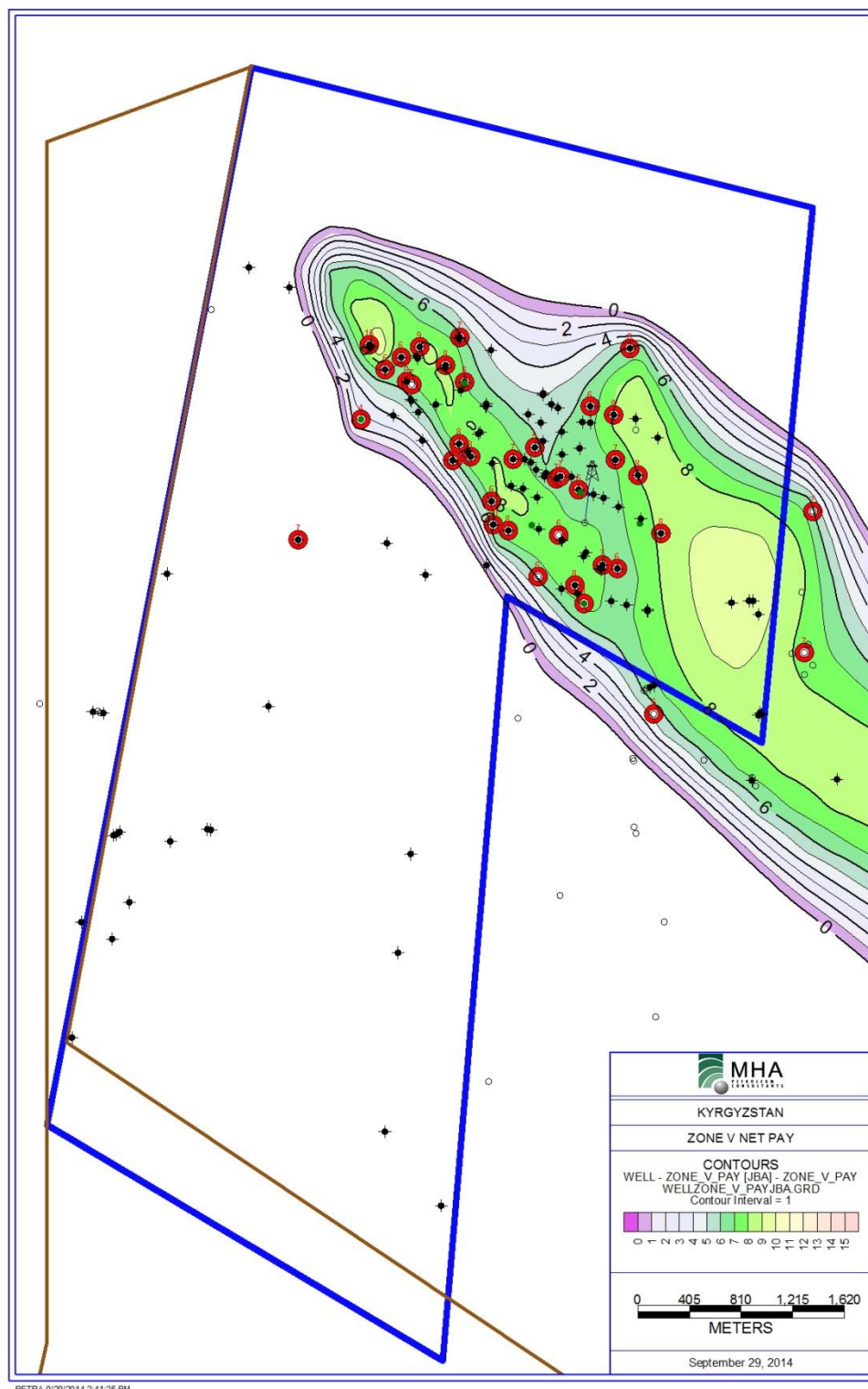


Figure 17: MHA interpretation of the Net Pay of Layer V. (Posted values of SSTVD of Layer V in black and Net Pay of Layer V in red.)

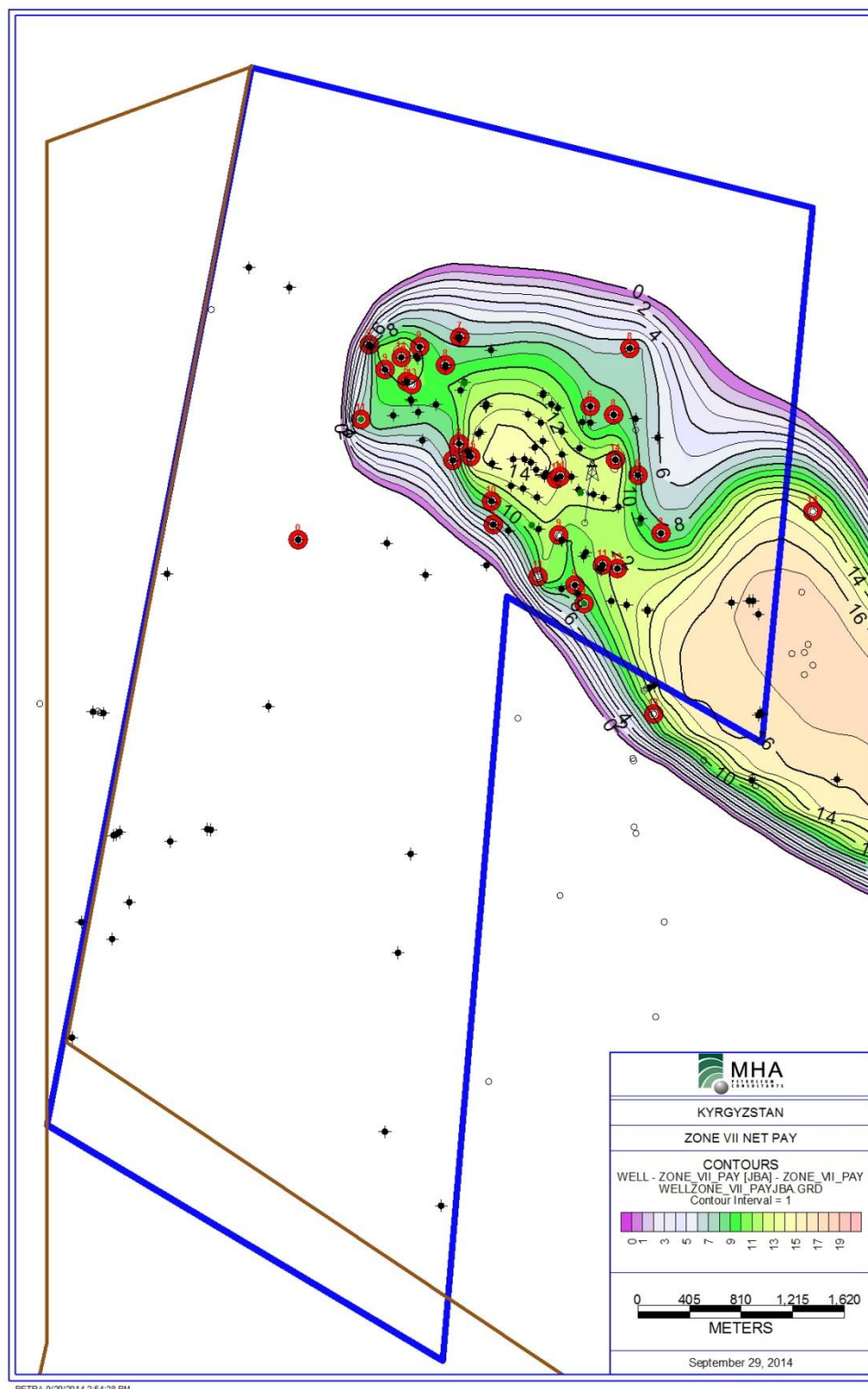


Figure 18: MHA interpretation of the Net Pay of Layer VII. (Posted values of SSTVD of Layer III in black and Net Pay of Layer VII in red.)

Marleysu East Yizbaskent Resource Volumes

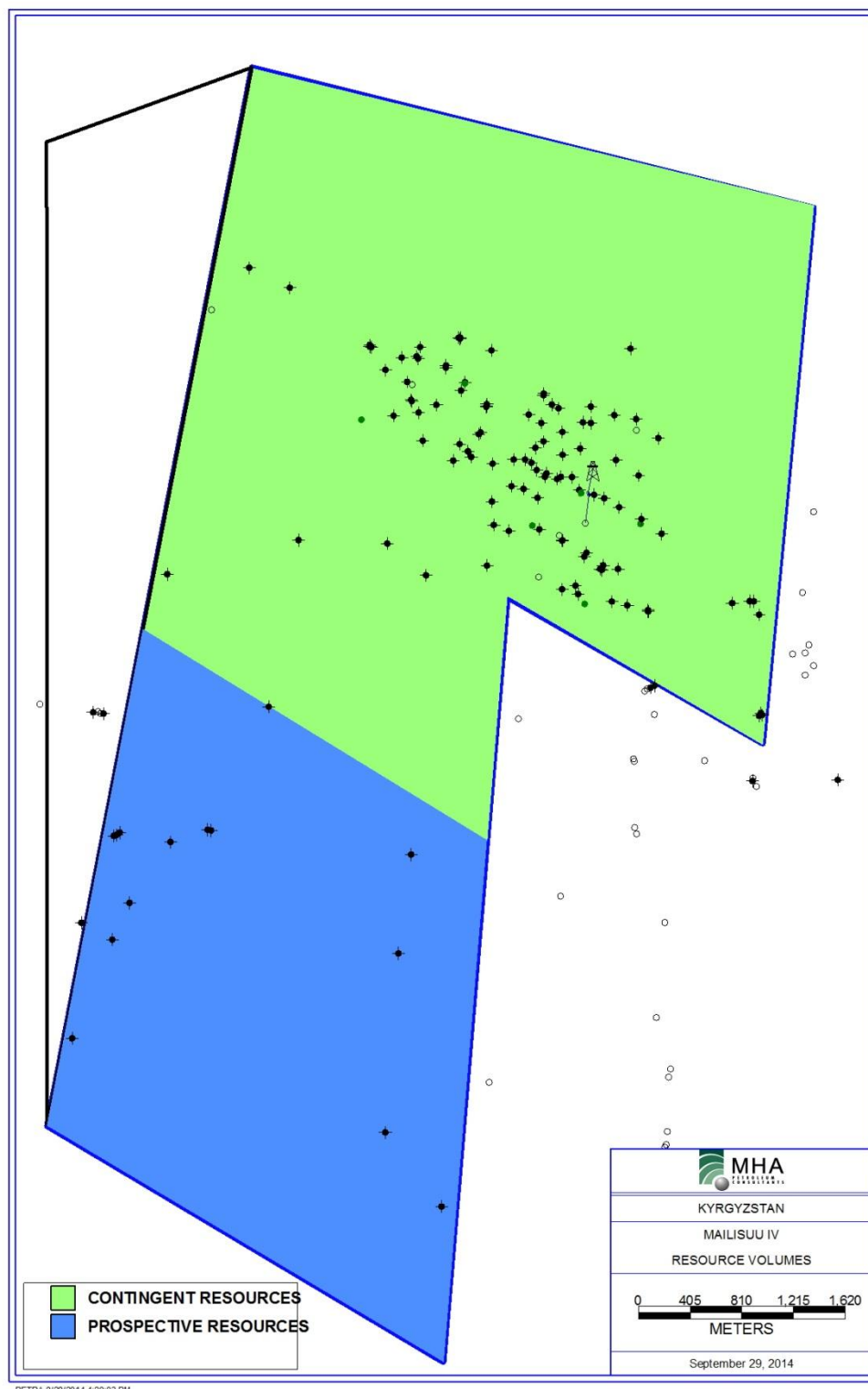


Figure 19: Contingent and Prospective Resource areas for Marleysu East Yizbaskent Block



Table 5: Marleysu East Yizbaskent Contingent Resource Estimates by Layer in tonnes (Gross 100% ownership basis)

	Original Oil-in Place (tonnes)			Remaining Contingent Resources (tonnes)		
Layer	Low Case	Best Case	High Case	Low Case	Best Case	High Case
III	6,161,888	7,554,072	9,184,220	178,814	536,398	1,046,173
IV	1,781,697	2,397,252	3,116,430	38,278	162,301	345,028
V	2,669,135	3,403,143	4,295,433	159,441	324,787	563,315
Marleysu East Yizbaskent	10,612,720	13,354,467	16,596,083	376,533	1,023,486	1,954,516

Table 6: Marleysu East Yizbaskent Contingent Resource Estimates by Layer in barrels (Gross 100% ownership basis)

	Original Oil-in Place (barrels)			Remaining Contingent Resources (barrels)		
Layer	Low Case	Best Case	High Case	Low Case	Best Case	High Case
III	44,981,782	55,144,726	67,044,806	1,305,342	3,915,705	7,637,063
IV	13,006,388	17,499,940	22,749,939	279,429	1,184,797	2,518,704
V	19,484,686	24,842,944	31,356,661	1,163,919	2,370,945	4,112,200
Marleysu East Yizbaskent	77,472,856	97,487,609	121,151,406	2,748,691	7,471,448	14,267,967

Table 7: Marleysu East Yizbaskent Prospective Resource Estimates by Layer in tonnes (Gross 100% ownership basis)

	Original Oil-in Place (tonnes)			Remaining Prospective Resources (tonnes)		
Reservoirs	Low Case	Best Case	High Case	Low Case	Best Case	High Case
III Marleysu East Yizbaskent downdip	1,238,629	1,524,910	1,839,376	118,259	190,974	289,823

Table 8: Marleysu East Yizbaskent Prospective Resource Estimates by Layer in barrels (Gross 100% ownership basis)

	Original Oil-in Place (barrels)			Remaining Prospective Resources (barrels)		
Reservoirs	Low Case	Best Case	High Case	Low Case	Best Case	High Case
III Marleysu East Yizbaskent downdip	9,041,992	11,131,843	13,427,445	863,291	1,394,110	2,115,708

These Resource Estimates account for recovery factor, historical cumulative production, and future estimated production from currently active wells.

"The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a



risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.”

Yizbaskent-Arash Exploration License

PEI subdivides the Yizbaskent-Arash Exploration license into four districts. District 1 to the east has one prospect with a target in Zone V. District 2 in the center has no exploration prospects at the current time. District 3 to the south of the development license has one prospect with a target in Zone III. District 4 to the west of the development license is considered as prospective for Zone III as it lays too far to the west of the existing production to have high confidence that this area will be easily developable. (Figures 19-20)

PEI has acquired four seismic lines in the exploration block to assist in its assessment. (Figure 21) The four highlighted lines in yellow are the lines that PEI has purchased and reprocessed to attempt to improve the imaging of the seismic data. The easternmost north south line is shown in the image below, after reprocessing. The interpreted horizon is thought to be close to Zone V.

The reprocessing of the seismic data primarily has been to gain the data and there does not appear to be any advanced modern statics correction or processing. Resolution of reflectors at the target (Zone V and deeper) horizons is highly interpretable. (Figure 22)



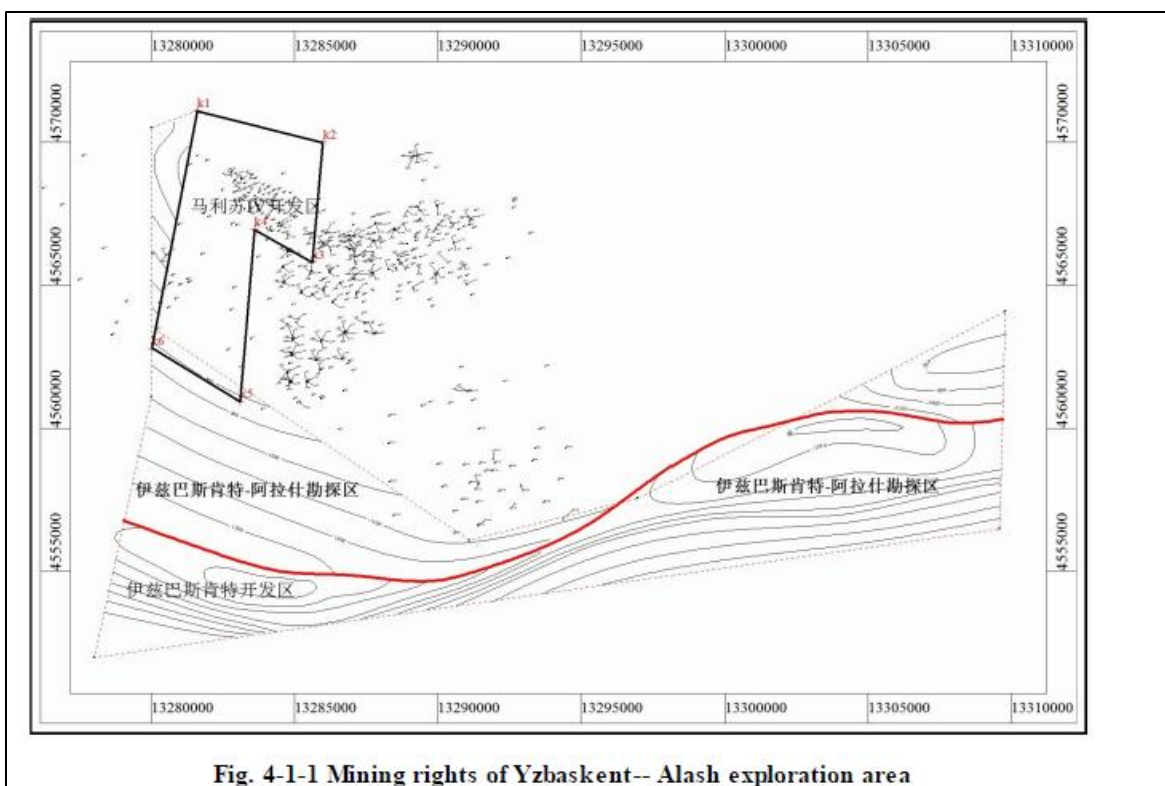


Figure 20: Yzbaskent-Arash exploration area (Shandong)

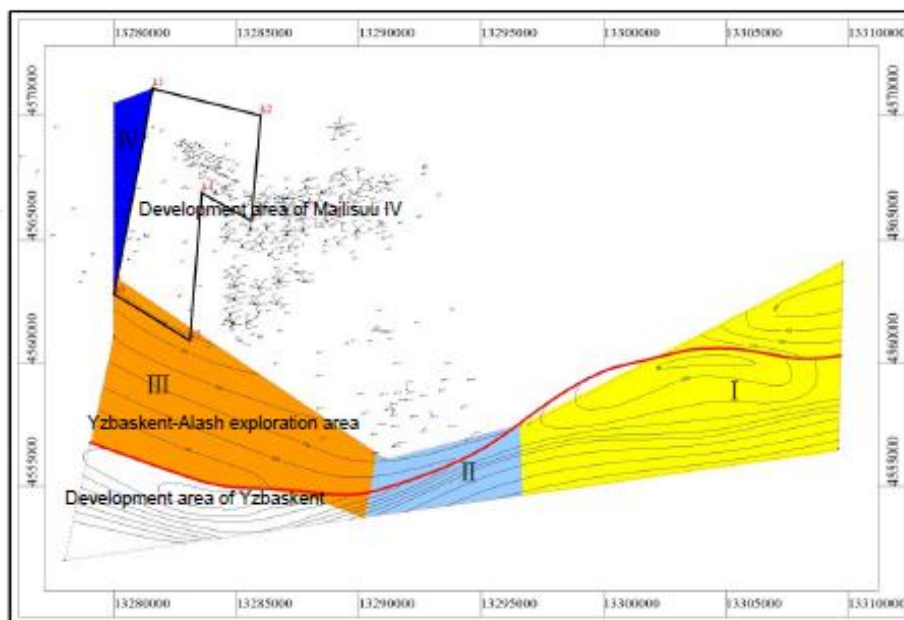


Figure 21: Districts within Yzbaskent-Arash exploration area (Shandong)

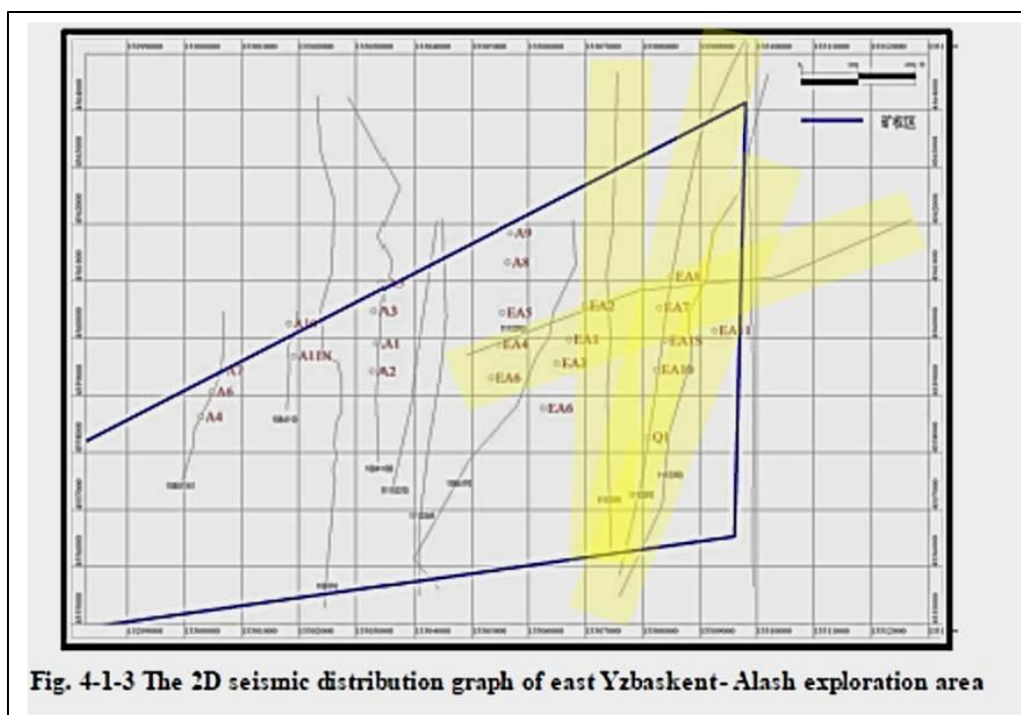


Figure 22: Map of seismic lines. PEI purchased and reprocessed seismic lines highlighted in yellow.

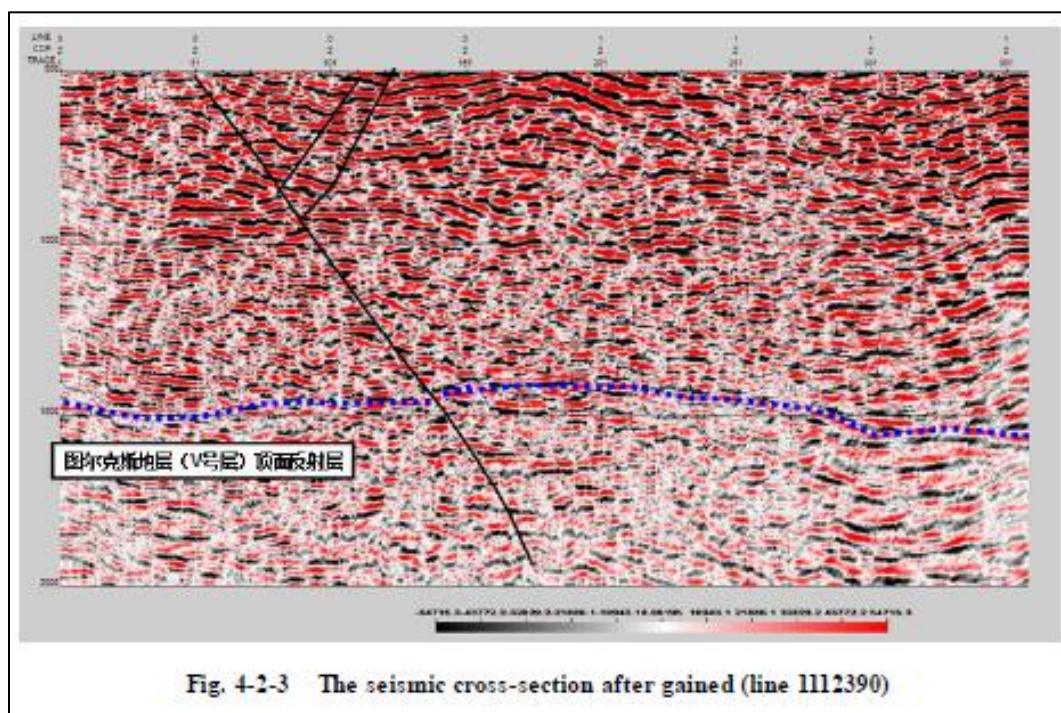


Figure 23: Example of seismic cross-section (Shandong)

There is one prospect in the eastern area of the license in the area called "District 1" which is a four way compressional fold on the hanging wall side of the reverse fault. The prospect is set up by the discovery of oil pay in zone V in the A1 well (Figures 23-26) which is about 40m off the crest of the structure. All other flanking wells are water bearing in all zones. This leaves a small, 1.2 to maximum 4.5km² closure at the crest of the structure that can contain oil in zone V. (Figure 26) There have been several tests in the Paleozoic that on production have tested 1m³/d or less but at this time MHA has not seen sufficient evidence to warrant the delineation of a drillable prospect for the Paleozoic.

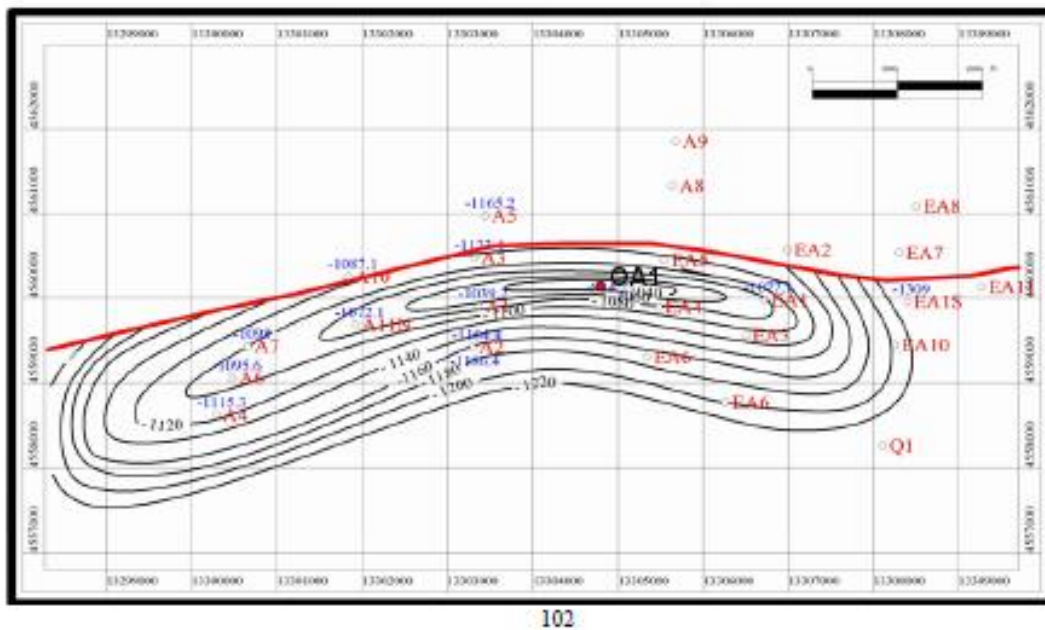


Figure 24: Structure of Layer V in the Arash exploration area (Shandong)

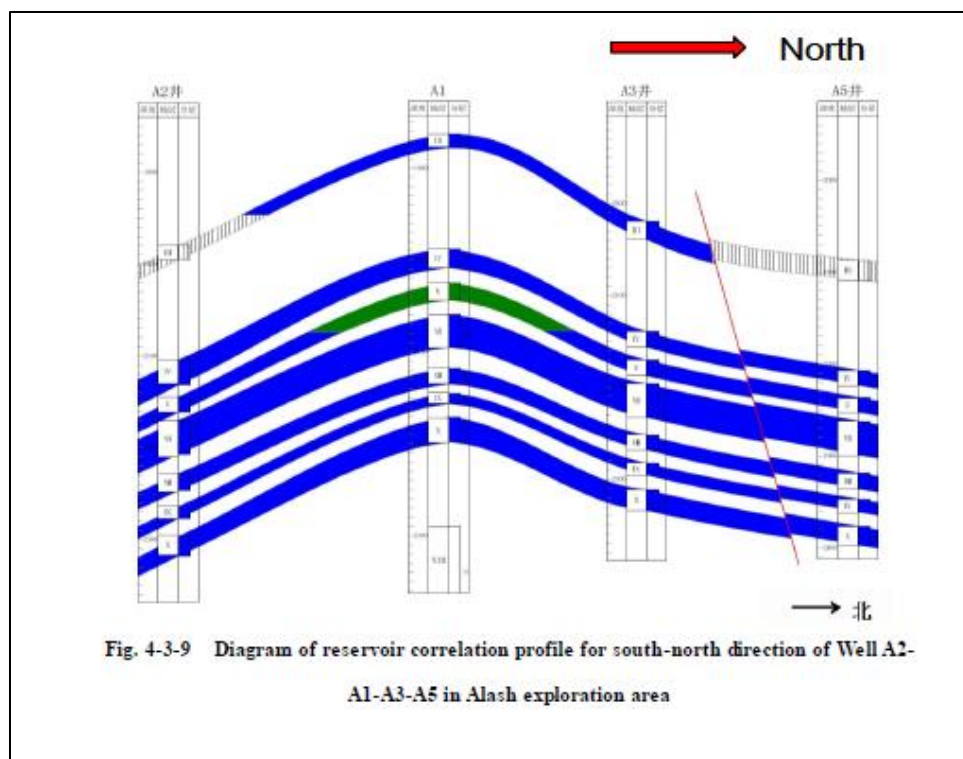


Figure 25: South to North Cross-section over the District 1 Zone V prospect (Shandong)

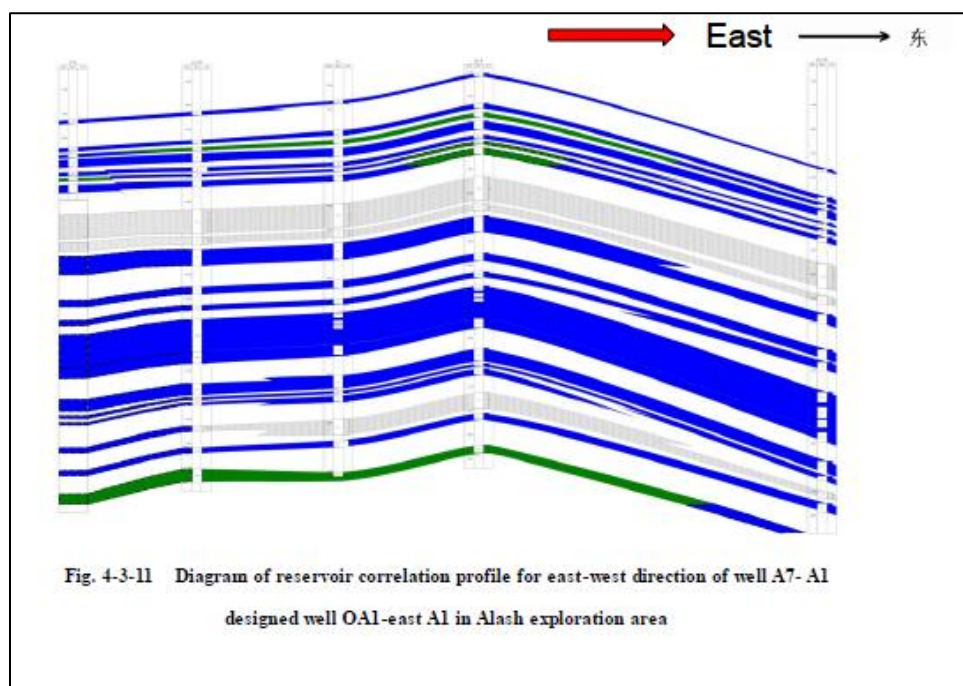


Figure 26: West to East Cross-section over the District 1-Zone 5 prospect (Shandong)

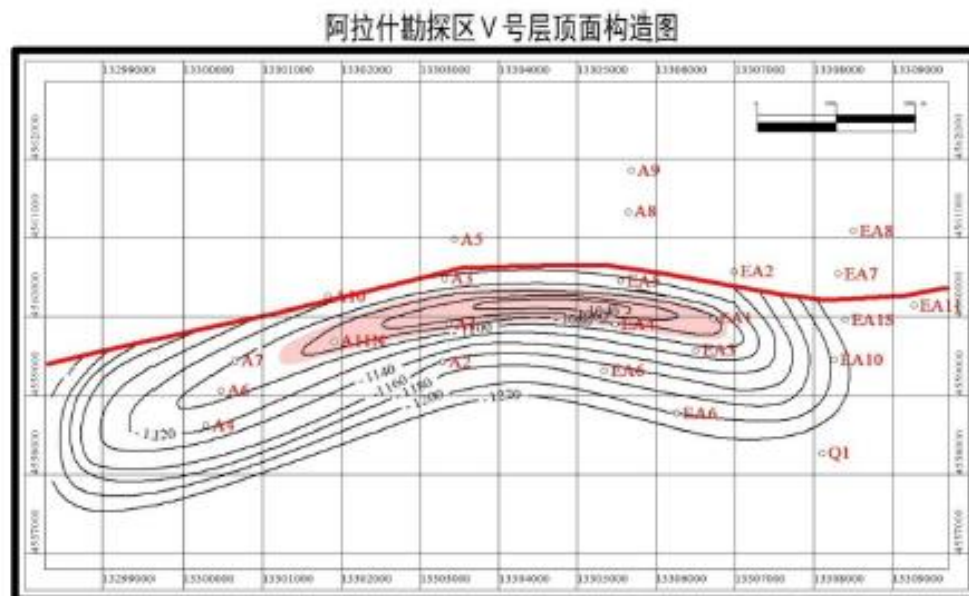


Fig. 4-5-3 The oil-bearing area chart of the layer V of District 1 in Yzbaskent—Alash exploration area

Figure 27: The most likely (2.5km²) extent of the District 1 Layer V Prospect (Yzbaskent-Arash)

The second prospect is a monoclinial updip fault trap in Zone III set up by an oil zone logged in well M413 at the edge of the lease and M408 to the north outside of the lease. Oil is expected as far down as -1,100m, the anticipated O/W contact in the Marleysu East Yzbaskent Field development lease. (Figure 27)

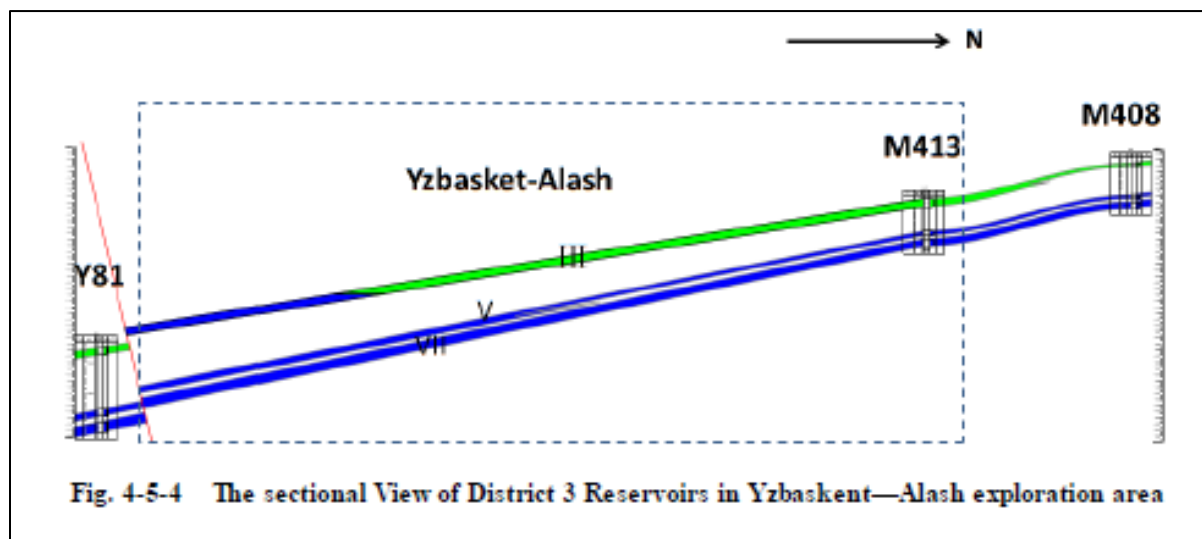


Fig. 4-5-4 The sectional View of District 3 Reservoirs in Yzbaskent—Alash exploration area

Figure 28: Sectional view of District 3 Reservoirs in Yzbaskent –Arash exploration area (Shandong)

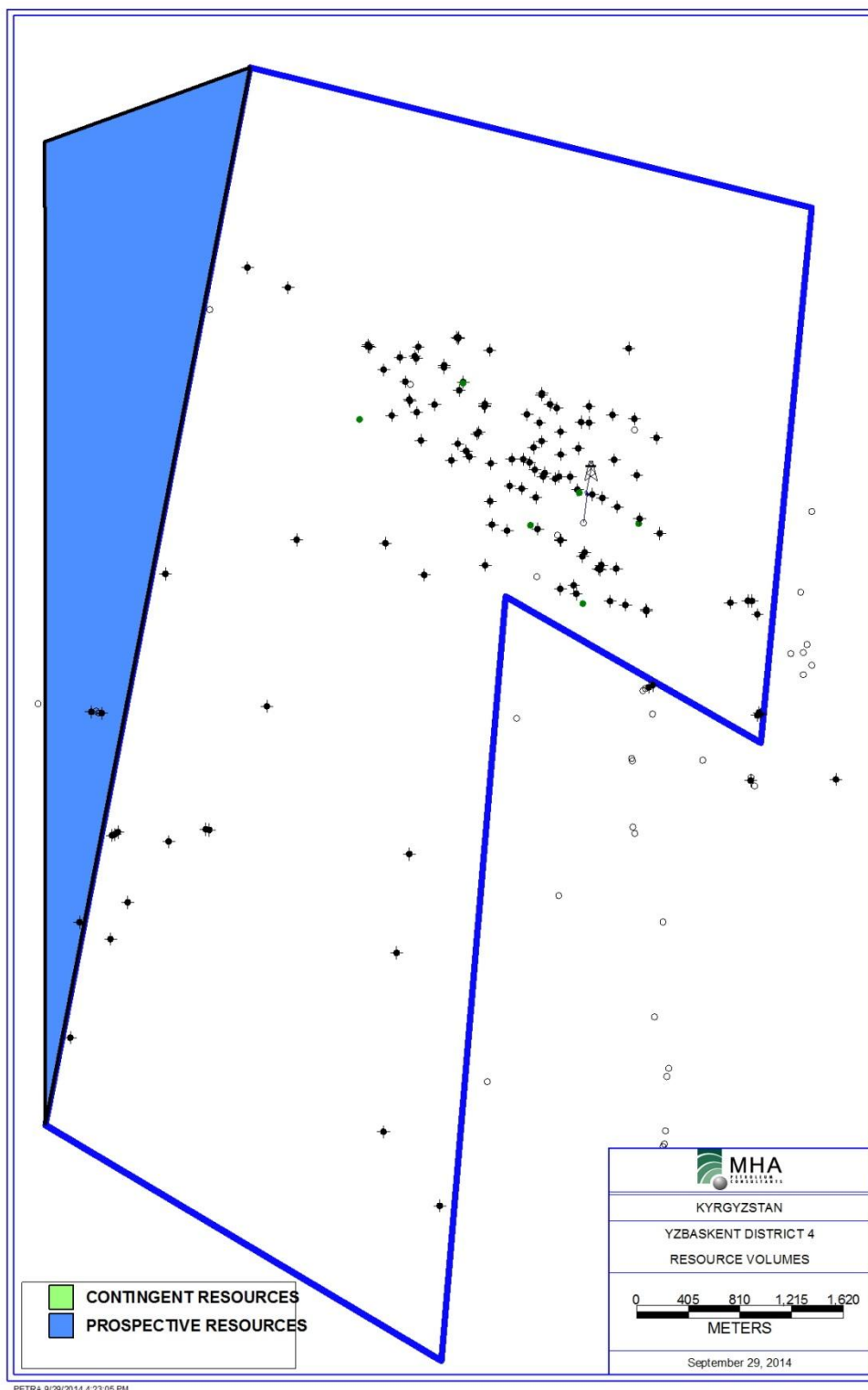


Figure 29: Yzbaskent-Arash District 4 Prospective Resource Area

Prospective Resources

Table 9: Yizbaskent-Arash Prospective Resources in tonnes (Gross 100% ownership basis)

License	Area/Reservoir	Original Oil-in Place (tonnes)			Prospective Resources (tonnes)		
		Low Case	Best Case	High Case	Low Case	Best Case	High Case
Yizbaskent-Arash	District 1 Zone V	704,903	1,183,236	1,892,274	94,758	178,425	333,525
Yizbaskent-Arash	District 3 Zone III	6,289,414	10,574,740	16,978,041	823,074	1,559,742	2,940,293
Yizbaskent-Arash	District 4 Zone III	1,239,511	1,523,698	1,849,271	170,329	241,333	346,986
Yizbaskent-Arash License Total		8,233,828	13,281,675	20,719,585	1,088,161	1,979,499	3,620,804

Table 10: Yizbaskent-Arash Prospective Resources in barrels (Gross 100% ownership basis)

License	Area/Reservoir	Original Oil-in Place (barrels)			Prospective Resources (barrels)		
		Low Case	Best Case	High Case	Low Case	Best Case	High Case
Yizbaskent-Arash	District 1 Zone V	5,145,789	8,637,625	13,813,598	691,735	1,302,500	2,434,733
Yizbaskent-Arash	District 3 Zone III	45,912,723	77,195,604	123,939,697	6,008,437	11,386,115	21,464,139
Yizbaskent-Arash	District 4 Zone III	9,048,430	11,122,995	13,499,678	1,243,402	1,761,731	2,532,998
Yizbaskent-Arash License Total		60,106,943	96,956,224	151,252,973	7,943,574	14,450,346	26,431,869



Susamur Exploration License

The evaluation of the Susamur License is limited by an extreme lack of tangible data: no known well penetrations, no detailed geologic map, no basin level gravity or magnetic survey. (Figure 29) What is known is that the Susamur Basin is thought to have a similar stratigraphic and tectonic history as the Ili Basin and Dzungaria Basin; two adjacent basins to the northeast within the Kazakhstan microplate (Shandong Report). Thus the more detailed information on the Ili, Junggar and Dzungaria Basins can be used to create a framework for the Susamur Basin. Further, there is a vintage 2D seismic survey that was acquired by the Soviets that spans most of the Susamur Basin. (Figure 30) The data has not been made available to PEI but one map of the structural interpretation by the Soviets has been made available and it shows a large faulted anticline running north-east to south-west down the center of the basin.

Background Geology

Three primary reservoir intervals are expected in the Susamur Basin; a Lower Carboniferous carbonate and mudstone unit (R3), an Upper Carboniferous volcanoclastic tuff unit interbedded with siltstones and marlstones (R2) and an overlying Permian clastic sequence (R1). (Figure 31)

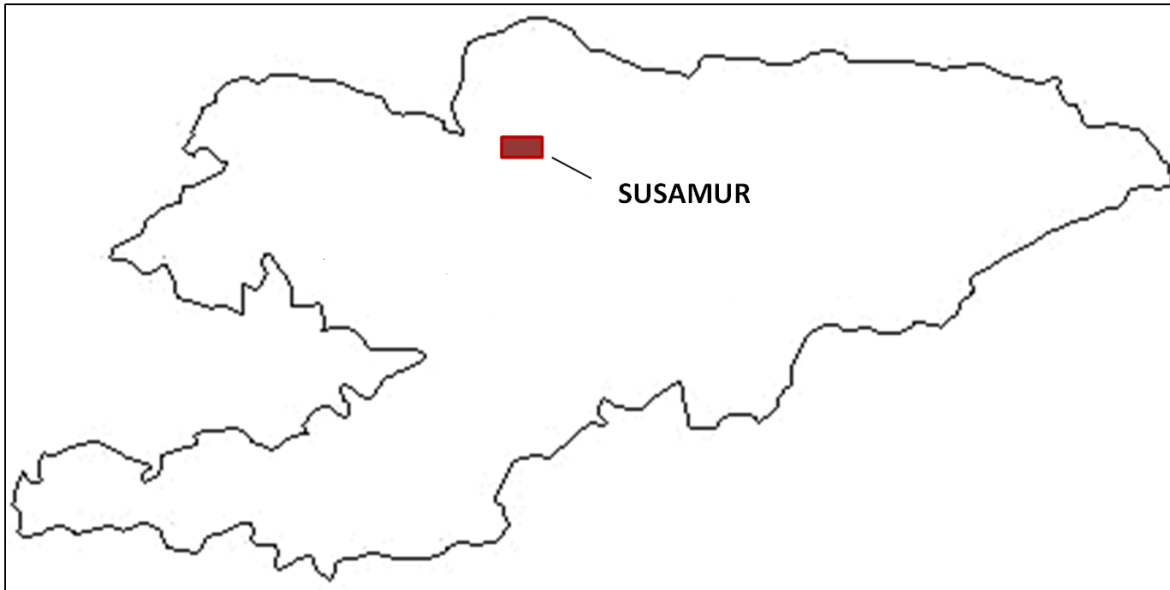


Figure 30: Position of Susamur Basin (Shandong)

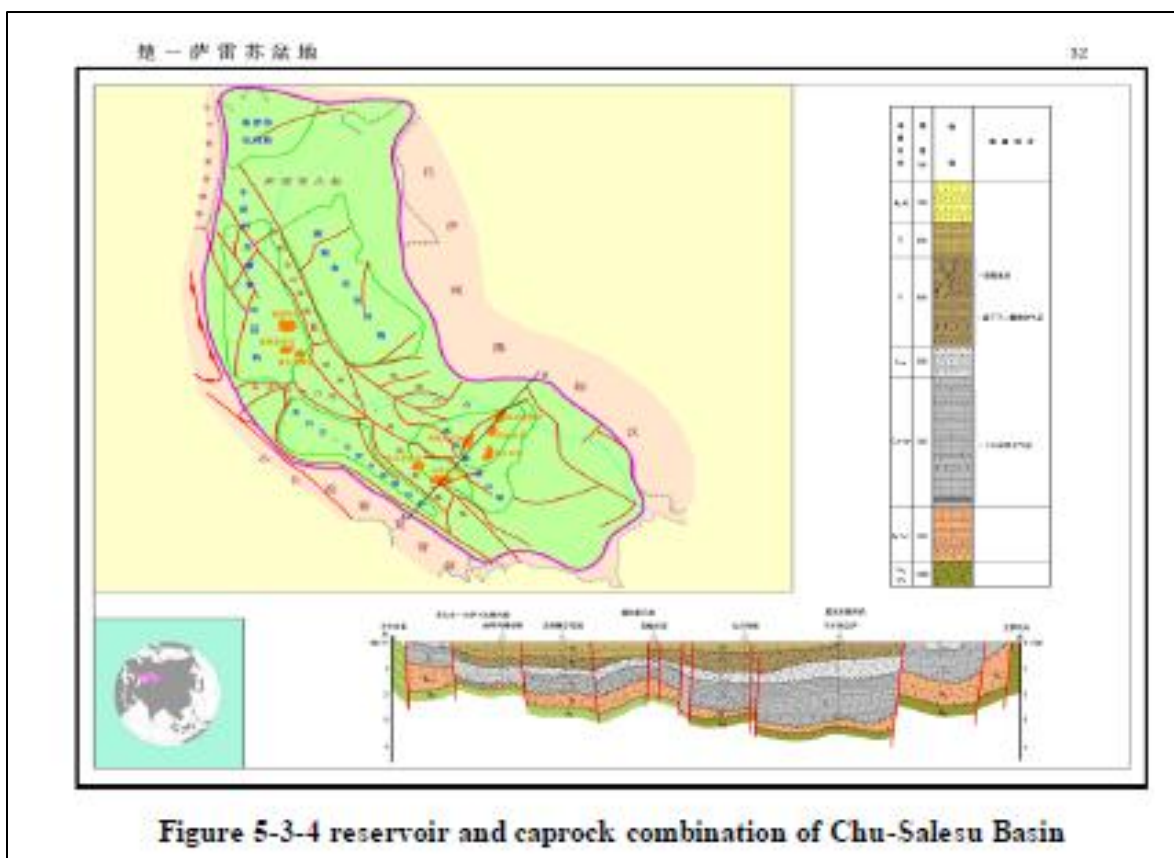


Figure 31: Reservoir and caprock combination of Chu-Salesu Basin (Shandong)

Several orogenies have metamorphosed and eroded all to nearly all pre-Carboniferous strata thus the thick, up to 1,200m, Lower Carboniferous is the earliest potential reservoir package. (Figure 32) Most of the oil source material in the adjacent Chu-Sarysu Basin is in Lower Carboniferous mudstones and shales. These organic rich rocks are reported to be sapropelic and although there is not a definitive test are expected to be of Type II affinity. Maturity is unknown but it has been reported to reach R_o of .3 and .4% in the T4 well in the Chu- Sarysu Basin. This would indicate that source rocks, if present in the Susamur Basin, should be mature at the expected depths. The Lower Carboniferous reservoirs are expected to be thick limestones with possibly interbedded thin marine sandstones.

The Upper Carboniferous (300-1,000m) is a volcanoclastic unit if the Susamur Basin is similar to the other basins to the northeast and northwest. Reservoirs are expected to be fractured tuffs, volcanic sills and poor quality clastic rocks.

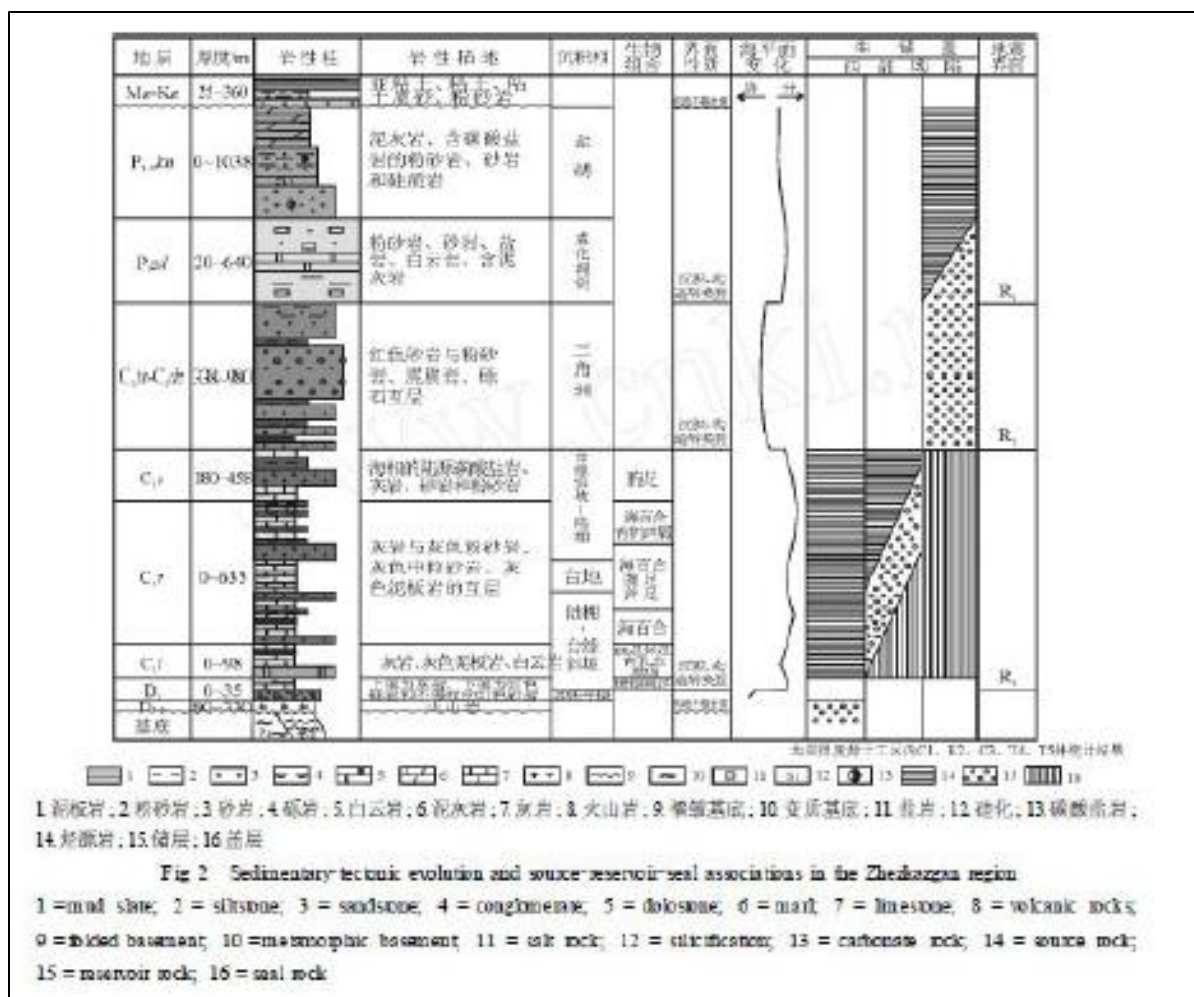


Figure 32: Sedimentary-evolution and source-reservoir-seal associations of Susamur Basin (Shandong)

The Permian system is a continental system with some evaporates and it has a very high hydrocarbon charge risk as the Lower Carboniferous oil must migrate through the volcanic section and the evaporitic section before encountering the Permian reservoirs. Fault migration may assist the migration effort. The Permian is highly variable (20-1,600m in thickness) but if present could be excellent reservoirs.

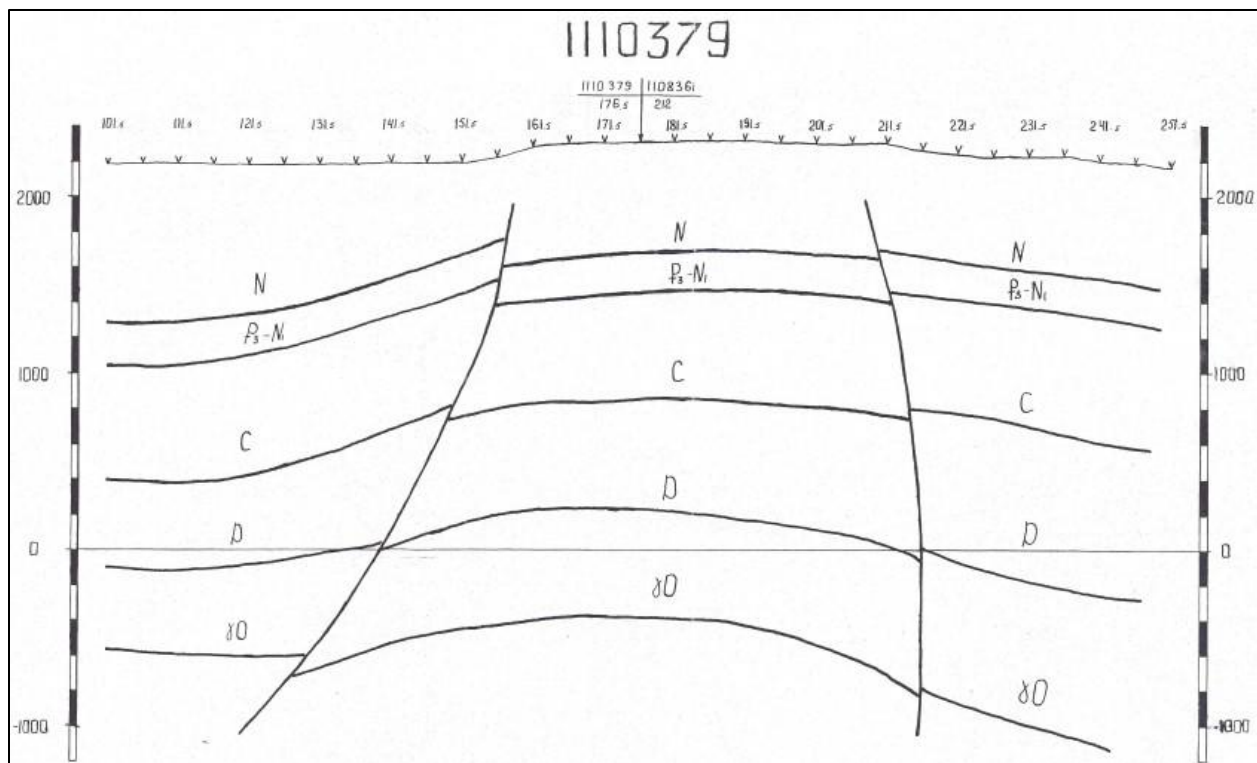


Figure 33: North-South geologic section map of Susamur Basin (Shandong)

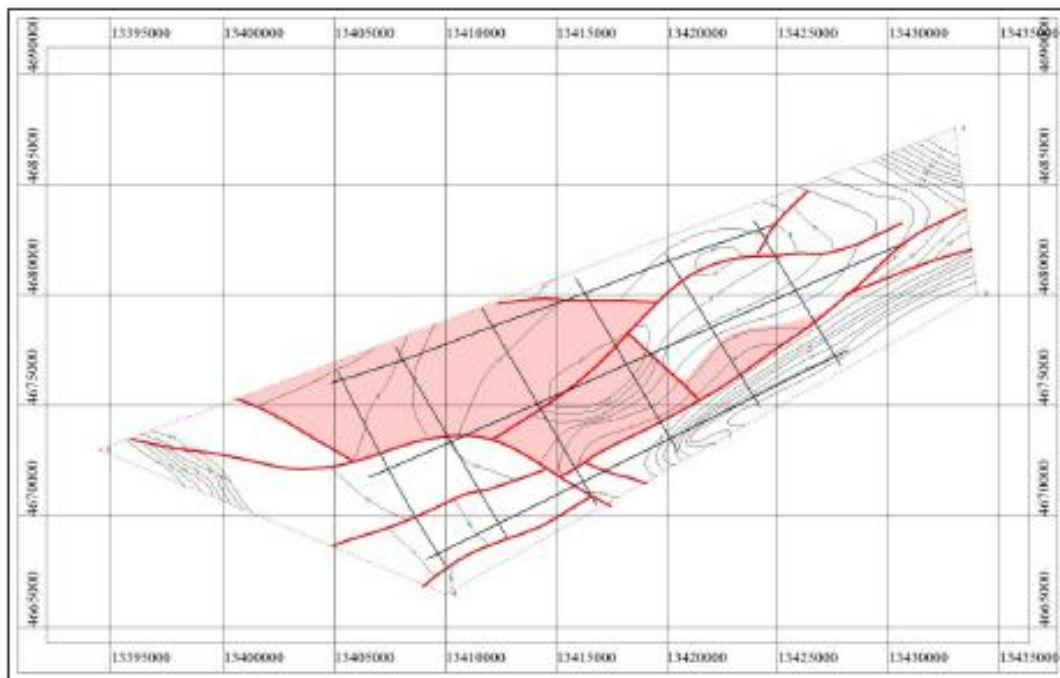


Figure 34: The constructional map of Paleozoic in Summary exploration area (Shandong)

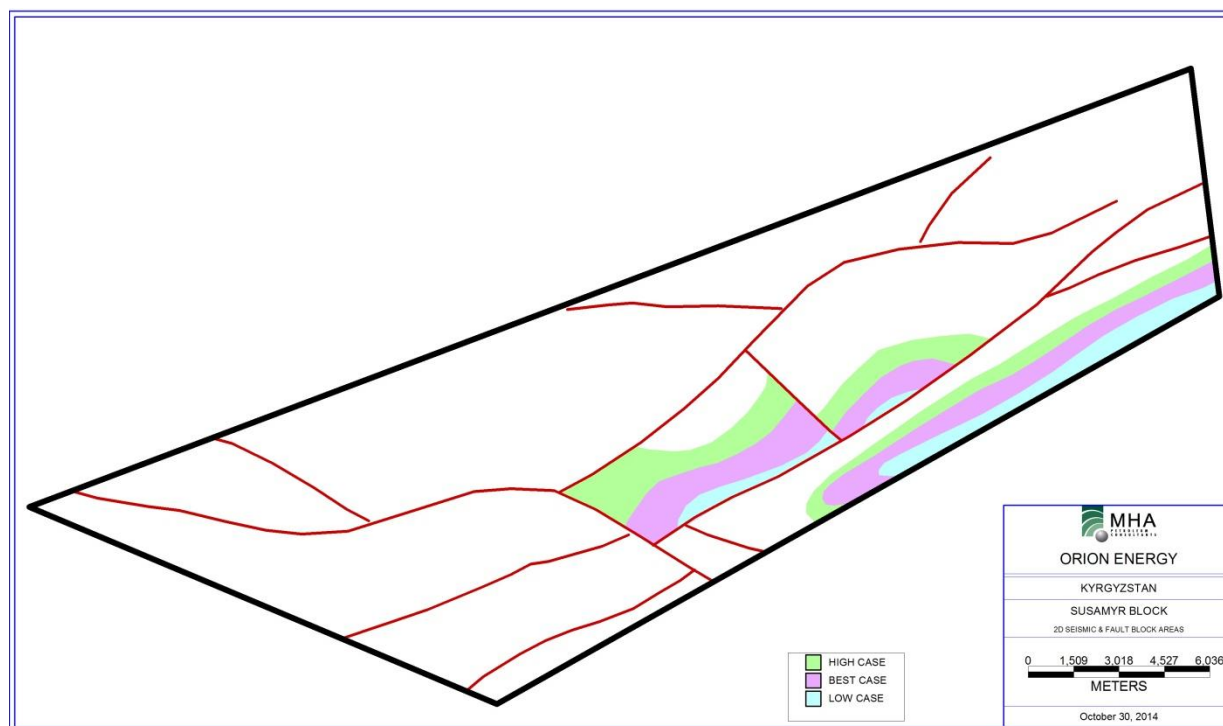


Figure 35: Diagram of MHA's interpretation of the fault blocks over the basin center doubly plunging anticline.

Figure 34 is the Soviet era seismic interpretation map of the Susamur Basin, a structural contour map at the top of the Carboniferous. Shandong highlighted three faultblocks (red) of primary interest. It is MHA's interpretation that there are five fault blocks that lay over the crest of a basin center doubly plunging anticline that form the most likely prospect (Figure 35). MHA has run a probabilistic range of original oil in place (OOIP) and Potential Resources (PR) for the three primary reservoirs (R1, R2, R3) in each of the 5 fault blocks and summed the results. The results are shown in Tables 11-12 below.

Table 11: Sumasur Prospective Resource Estimates in tonnes (Gross 100% ownership basis)

Fault Block	Reservoirs	Original Oil-in Place (tonnes)			Prospective Resources (tonnes)		
		Low Case	Best Case	High Case	Low Case	Best Case	High Case
Fault Block 1	R1, R2, R3	11,154,555	22,955,003	44,531,465	61,309	306,643	1,080,103
Fault Block 2	R1, R2, R3	6,183,973	13,644,016	29,309,383	165,823	767,831	2,638,014
Fault Block 3	R1, R2, R3	6,183,973	25,555,049	50,118,421	257,513	1,215,517	3,857,344
Susamur License Total		25,567,936	62,154,067	123,959,269	484,644	2,289,991	7,575,461

Table 12: Sumasur Prospective Resource Estimates in barrels (Gross 100% ownership basis)

Fault Block	Reservoirs	Original Oil-in Place (barrels)			Prospective Resources (barrels)		
		Low Case	Best Case	High Case	Low Case	Best Case	High Case
Fault Block 1	R1, R2, R3	76,185,609	156,782,669	304,149,904	418,739	2,094,374	7,377,103
Fault Block 2	R1, R2, R3	42,236,537	93,188,628	200,183,086	1,132,569	5,244,286	18,017,639
Fault Block 3	R1, R2, R3	42,236,537	174,540,984	342,308,818	1,758,811	8,301,980	26,345,658
Susamur License Total		160,658,683	424,512,281	846,641,808	3,310,119	15,640,641	51,740,400



Statement of Risk

The accuracy of resource evaluations is always subject to uncertainty. The magnitude of this uncertainty is generally proportional to the quantity and quality of data available for analysis. As a prospect, project, or well matures and new information becomes available revisions may be required which may either increase or decrease the previous estimates. By definition, a Play is a Proven Hydrocarbon System that is defined by known limits to the generative source rock area and to the limits of the known reservoirs and traps. Contingent Resources are volumes to be potentially recoverable from known accumulations, but not yet mature enough for commercial development, and thereby have their own degree of geologic and commercial risk. Prospective Resources are undiscovered prospects that each has their own degree of geologic and commercial risk. It is MHA's opinion that the estimated resources and other information as specified in this report are reasonable, and have been prepared in accordance with generally accepted petroleum engineering and geological evaluation principles. Further pre-drill evaluation of the prospects is warranted, particularly as regards to additional seismic data. As there are no reserves evaluated for this report there are no estimates of economic valuation.

Neither MHA, nor any of our employees have any interest in the subject properties and neither the employment to do this work, nor the compensation, is contingent on our estimates of the resources for the properties in this report. No MHA employee or contractor has visited the PEI's field facilities discussed in this report as this report is concerned with subsurface volumes only and uses data that was supplied by PEI. MHA has not verified the accuracy of the information provided to it during the course of this investigation. However, we have aimed to satisfy ourselves that all of the information provided has been prepared in accordance with proper industry standards and best practice, and is based on data that MHA considers to be of acceptable quality and reliability

This report was prepared for the exclusive use of FEO and will not be released by MHA to any other parties without FEO's written permission. MHA did not conduct a site visit to the licenses or any of the field offices, other than the PEI dataroom in Beijing, China. The data and work papers used in this preparation of this report are available for examination by authorized parties in our offices.

Thank you for this opportunity to be of service to FEO. If you have any questions or wish to discuss any aspect of the report further please feel free to contact me.

Kindest regards,



Jeffrey B. Aldrich
Vice President



Timothy L. Hower
Chief Executive Officer



Qualifications

Jeffrey B. Aldrich is a Certified Petroleum Geologist, #3791, by the American Association of Petroleum Geologists (AAPG) and is an active member of the AAPG and the Society of Petroleum Engineers (SPE). He has over thirty years as a practicing petroleum geologist/geophysicist and over twenty years of experience in oil and gas reserve evaluations. He holds a Bachelor's of Science degree in Geology from Vanderbilt University and a Master's of Science degree in Geology from Texas A&M University.

Timothy L. Hower is the Chief Executive Officer, and a full-time employee of MHA, and is a qualified person as defined under the ASX Listing Rule 5.42. He is a Registered Professional Engineer, a member of the SPE, and holds Bachelor's of Science and Master's of Science degrees in Petroleum Engineering from Penn State University. Mr. Hower has over thirty years of experience as a practicing reservoir engineer working on reserves and resource evaluations. This resource evaluation was prepared under Mr. Hower's direct control and supervision in accordance with the SPE Petroleum Resource Management System guidelines.

MHA Petroleum Consultants LLC is a leading independent petroleum engineering and independent certification firm based in Denver, Colorado which has experience working in most of the significant petroleum provinces throughout the world. MHA has completed reserve and resource assessments for numerous clients in Australia and internationally including Shell, Petrochina, Conoco Phillips, Santos, Woodside Petroleum, and Sunbird Energy.



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Appendix 1: Petroleum Resources Management System

The following is a summary of the 2011 ***“Guidelines for Application of the Petroleum Resources Management System”*** sponsored by the Society of Petroleum Engineers (SPE); the American Association of Petroleum Geologists (AAPG); the World Petroleum Council (WPC); the Society of Petroleum Evaluation Engineers (SPEE) and the Society of Exploration Geophysicists (SEG). A copy of the complete document can be downloaded from the SPE website (spe.org).

Preamble

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth’s crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

International efforts to standardize the definitions of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), SPE published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide. In 2000, the American Association of Petroleum Geologists (AAPG), SPE, and WPC jointly developed a classification system for all petroleum resources. This was followed by additional supporting documents: supplemental application evaluation guidelines (2001) and a glossary of terms utilized in resources definitions (2005). SPE also published standards for estimating and auditing reserves information (revised 2007).

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation. However, the technologies employed in petroleum exploration, development, production, and processing continue to evolve and improve. The SPE Oil and Gas Reserves Committee works closely with other organizations to maintain the definitions and issues periodic revisions to keep current with evolving technologies and changing commercial opportunities.



This document consolidates, builds on, and replaces guidance previously contained in the 1997 Petroleum Reserves Definitions, the 2000 Petroleum Resources Classification and Definitions publications, and the 2001 “Guidelines for the Evaluation of Petroleum Reserves and Resources”; the latter document remains a valuable source of more detailed background information, and specific chapters are referenced herein. Appendix A is a consolidated glossary of terms used in resources evaluations and replaces those published in 2005.

These definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources. It is expected that this document will be supplemented with industry education programs and application guides addressing their implementation in a wide spectrum of technical and/or commercial settings.

It is understood that these definitions and guidelines allow flexibility for users and agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein should be clearly identified. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

This SPE/WPC/AAPG/SPEE Petroleum Resources Management System document, including its Appendix, may be referred to by the abbreviated term “SPE-PRMS” with the caveat that the full title, including clear recognition of the co-sponsoring organizations, has been initially stated.

1.0 Basic Principles and Definitions

The estimation of petroleum resource quantities involves the interpretation of volumes and values that have an inherent degree of uncertainty. These quantities are associated with development projects at various stages of design and implementation. Use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios according to forecast production profiles and recoveries. Such a system must consider both technical and commercial factors that impact the project’s economic feasibility, its productive life, and its related cash flows.

1.1 Petroleum Resources Classification Framework



Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide and sulfur. In rare cases, non-hydrocarbon content could be greater than 50%.

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

Figure 1-1 is a graphical representation of the SPE/WPC/AAPG/SPEE resources classification system. The system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.

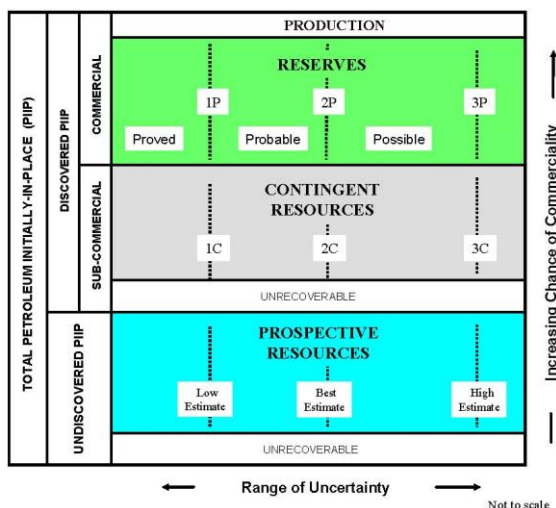


Figure 1-1: Resources Classification Framework.

The “Range of Uncertainty” reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the “Chance of Commerciality, that is, the chance that the project that will be developed and reach commercial producing status. The following definitions apply to the major subdivisions within the resources classification:

TOTAL PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to “total resources”).

DISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

PRODUCTION is the cumulative quantity of petroleum that has been recovered at a given date. While all recoverable resources are estimated and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage (see Production Measurement, section 3.2).

Multiple development projects may be applied to each known accumulation, and each project will recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into Commercial and Sub-Commercial, with the estimated recoverable quantities being classified as Reserves and Contingent Resources respectively, as defined below.

RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

CONTINGENT RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

UNDISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

PROSPECTIVE RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from

undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

UNRECOVERABLE is that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Estimated Ultimate Recovery (EUR) is not a resources category, but a term that may be applied to any accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable under defined technical and commercial conditions plus those quantities already produced (total of recoverable resources).

In specialized areas, such as basin potential studies, alternative terminology has been used; the total resources may be referred to as Total Resource Base or Hydrocarbon Endowment. Total recoverable or EUR may be termed Basin Potential. The sum of Reserves, Contingent Resources, and Prospective Resources may be referred to as “remaining recoverable resources.” When such terms are used, it is important that each classification component of the summation also be provided. Moreover, these quantities should not be aggregated without due consideration of the varying degrees of technical and commercial risk involved with their classification.

1.2 Project-Based Resources Evaluations

The resources evaluation process consists of identifying a recovery project, or projects, associated with a petroleum accumulation(s), estimating the quantities of Petroleum Initially-in-Place, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on its maturity status or chance of commerciality.

This concept of a project-based classification system is further clarified by examining the primary data sources contributing to an evaluation of net recoverable resources (see Figure 1-2) that may be described as follows:

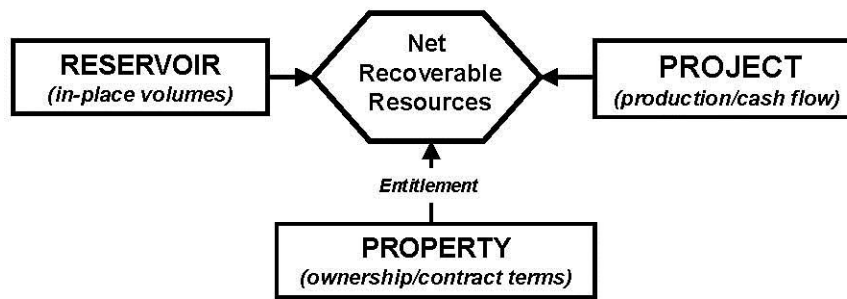


Figure 1-2: Resources Evaluation Data Sources.

The Reservoir (accumulation): Key attributes include the types and quantities of Petroleum Initially-in-Place and the fluid and rock properties that affect petroleum recovery.

- The Project: Each project applied to a specific reservoir development generates a unique production and cash flow schedule. The time integration of these schedules taken to the project's technical, economic, or contractual limit defines the estimated recoverable resources and associated future net cash flow projections for each project. The ratio of EUR to Total Initially-in-Place quantities defines the ultimate recovery efficiency for the development project(s). A project may be defined at various levels and stages of maturity; it may include one or many wells and associated production and processing facilities. One project may develop many reservoirs, or many projects may be applied to one reservoir.
- The Property (lease or license area): Each property may have unique associated contractual rights and obligations including the fiscal terms. Such information allows definition of each participant's share of produced quantities (entitlement) and share of investments, expenses, and revenues for each recovery project and the reservoir to which it is applied. One property may encompass many reservoirs, or one reservoir may span several different properties. A property may contain both discovered and undiscovered accumulations.

In context of this data relationship, "project" is the primary element considered in this resources classification, and net recoverable resources are the incremental quantities derived from each project. Project represents the link between the petroleum accumulation and the decision-making process. A project may, for example, constitute the development of a single reservoir or field, or an incremental development for a producing field, or the integrated development of several fields and associated facilities with a common ownership. In general, an individual project will represent the level at which a decision is made whether or

not to proceed (i.e., spend more money) and there should be an associated range of estimated recoverable quantities for that project.

An accumulation or potential accumulation of petroleum may be subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several resource classes simultaneously.

In order to assign recoverable resources of any class, a development plan needs to be defined consisting of one or more projects. Even for Prospective Resources, the estimates of recoverable quantities must be stated in terms of the sales products derived from a development program assuming successful discovery and commercial development. Given the major uncertainties involved at this early stage, the development program will not be of the detail expected in later stages of maturity. In most cases, recovery efficiency may be largely based on analogous projects. In-place quantities for which a feasible project cannot be defined using current or reasonably forecast improvements in, technology are classified as Unrecoverable.

Not all technically feasible development plans will be commercial. The commercial viability of a development project is dependent on a forecast of the conditions that will exist during the time period encompassed by the project's activities (see Commercial Evaluations, section 3.1). "Conditions" include technological, economic, legal, environmental, social, and governmental factors. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, market conditions, transportation and processing infrastructure, fiscal terms, and taxes.

The resource quantities being estimated are those volumes producible from a project as measured according to delivery specifications at the point of sale or custody transfer (see Reference Point, section 3.2.1). The cumulative production from the evaluation date forward to cessation of production is the remaining recoverable quantity. The sum of the associated annual net cash flows yields the estimated future net revenue. When the cash flows are discounted according to a defined discount rate and time period, the summation of the discounted cash flows is termed net present value (NPV) of the project (see Evaluation and Reporting Guidelines, section 3.0).

The supporting data, analytical processes, and assumptions used in an evaluation should be documented in sufficient detail to allow an independent evaluator or auditor to clearly understand the basis for estimation and categorization of recoverable quantities and their classification.

2.0 Classification and Categorization Guidelines



To consistently characterize petroleum projects, evaluations of all resources should be conducted in the context of the full classification system as shown in Figure 1-1. These guidelines reference this classification system and support an evaluation in which projects are “classified” based on their chance of commerciality (the vertical axis) and estimates of recoverable and marketable quantities associated with each project are “categorized” to reflect uncertainty (the horizontal axis). The actual workflow of classification vs. categorization varies with individual projects and is often an iterative analysis process leading to a final report. “Report,” as used herein, refers to the presentation of evaluation results within the business entity conducting the assessment and should not be construed as replacing guidelines for public disclosures under guidelines established by regulatory and/or other government agencies.

Additional background information on resources classification issues can be found in Chapter 2 of the 2001 SPE/WPC/AAPG publication: “Guidelines for the Evaluation of Petroleum Reserves and Resources,” hereafter referred to as the “2001 Supplemental Guidelines.”

2.1 Resources Classification

The basic classification requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial and sub-commercial projects in known accumulations (and hence between Reserves and Contingent Resources).

2.1.1 Determination of Discovery Status

A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons.

In this context, “significant” implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery. Estimated recoverable quantities within such a discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves. Where in-place hydrocarbons are identified but are not considered currently recoverable, such quantities may be classified as Discovered Unrecoverable, if considered appropriate for resource management purposes; a portion of these quantities may become recoverable resources in the future as commercial circumstances change or technological developments occur.



2.1.2 Determination of Commerciality

Discovered recoverable volumes (Contingent Resources) may be considered commercially producible, and thus Reserves, if the entity claiming commerciality has demonstrated firm intention to proceed with development and such intention is based upon all of the following criteria:

- Evidence to support a reasonable timetable for development.
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria:
- A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development.
- Evidence that the necessary production and transportation facilities are available or can be made available:
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

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

2.1.3 Project Status and Commercial Risk

Evaluators have the option to establish a more detailed resources classification reporting system that can also provide the basis for portfolio management by subdividing the chance of commerciality axis according to project maturity. Such sub-classes may be characterized by standard project maturity level descriptions

(qualitative) and/or by their associated chance of reaching producing status (quantitative).

As a project moves to a higher level of maturity, there will be an increasing chance that the accumulation will be commercially developed. For Contingent and Prospective Resources, this can further be expressed as a quantitative chance estimate that incorporates two key underlying risk components:

- The chance that the potential accumulation will result in the discovery of petroleum. This is referred to as the “chance of discovery.”
- Once discovered, the chance that the accumulation will be commercially developed is referred to as the “chance of development.”

Thus, for an undiscovered accumulation, the “chance of commerciality” is the product of these two risk components. For a discovered accumulation where the “chance of discovery” is 100%, the “chance of commerciality” becomes equivalent to the “chance of development.”

2.1.3.1 Project Maturity Sub-Classes

As illustrated in Figure 2-1, development projects (and their associated recoverable quantities) may be sub-classified according to project maturity levels and the associated actions (business decisions) required to move a project toward commercial production.

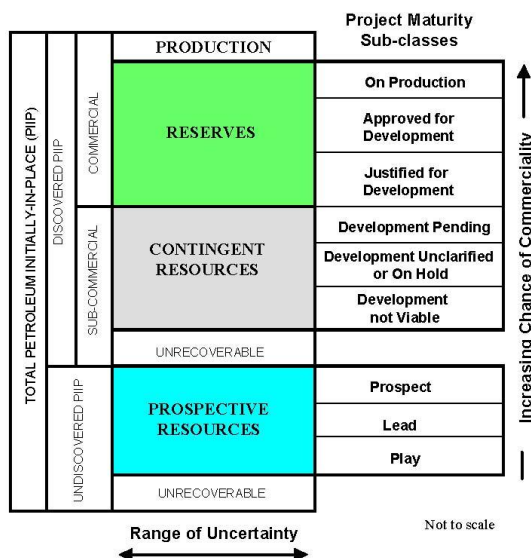


Figure 2-1: Sub-classes based on Project Maturity.

Project Maturity terminology and definitions have been modified from the example provided in the 2001 Supplemental Guidelines, Chapter 2. Detailed definitions and guidelines for each Project Maturity sub-class are provided in Table I. This approach supports managing portfolios of opportunities at various stages of exploration and development and may be supplemented by associated quantitative estimates of chance of commerciality. The boundaries between different levels of project maturity may be referred to as “decision gates.”

Decisions within the Reserves class are based on those actions that progress a project through final approvals to implementation and initiation of production and product sales. For Contingent Resources, supporting analysis should focus on gathering data and performing analyses to clarify and then mitigate those key conditions, or contingencies, that prevent commercial development.

For Prospective Resources, these potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under appropriate development projects. The decision at each phase is to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity where a decision can be made to proceed with exploration drilling.

Evaluators may adopt alternative sub-classes and project maturity modifiers, but the concept of increasing chance of commerciality should be a key enabler in applying the overall classification system and supporting portfolio management.

2.1.3.2 Reserves Status

Once projects satisfy commercial risk criteria, the associated quantities are classified as Reserves. These quantities may be allocated to the following subdivisions based on the funding and operational status of wells and associated facilities within the reservoir development plan (detailed definitions and guidelines are provided in Table 2):

- Developed Reserves are expected quantities to be recovered from existing wells and facilities.
 - Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
 - Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.
- Undeveloped Reserves are quantities expected to be recovered through future investments.



Where Reserves remain undeveloped beyond a reasonable timeframe, or have remained undeveloped due to repeated postponements, evaluations should be critically reviewed to document reasons for the delay in initiating development and justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay (see Determination of Commerciality, section 2.1.2) is justified, a reasonable time frame is generally considered to be less than 5 years.

Development and production status are of significant importance for project management. While Reserves Status has traditionally only been applied to Proved Reserves, the same concept of Developed and Undeveloped Status based on the funding and operational status of wells and producing facilities within the development project are applicable throughout the full range of Reserves uncertainty categories (Proved, Probable and Possible).

Quantities may be subdivided by Reserves Status independent of sub-classification by Project Maturity. If applied in combination, Developed and/or Undeveloped Reserves quantities may be identified separately within each Reserves sub-class (On Production, Approved for Development, and Justified for Development).

2.1.3.3 Economic Status

Projects may be further characterized by their Economic Status. All projects classified as Reserves must be economic under defined conditions (see Commercial Evaluations, section 3.1). Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

- Marginal Contingent Resources are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.
- Sub-Marginal Contingent Resources are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is “undetermined.” Additional economic status modifiers may be applied to further characterize recoverable quantities; for example, non-sales (lease fuel, flare, and losses) may be separately identified and documented in addition to sales quantities for both production and recoverable resource estimates (see also Reference Point, section 3.2.1). Those discovered in-place volumes for which a feasible development project cannot be defined using current, or reasonably forecast improvements in, technology are classified as Unrecoverable.

Economic Status may be identified independently of, or applied in combination with, Project Maturity sub-classification to more completely describe the project and its associated resources.

2.2 Resources Categorization

The horizontal axis in the Resources Classification (Figure 1.1) defines the range of uncertainty in estimates of the quantities of recoverable, or potentially recoverable, petroleum associated with a project. These estimates include both technical and commercial uncertainty components as follows:

- The total petroleum remaining within the accumulation (in-place resources).
- That portion of the in-place petroleum that can be recovered by applying a defined development project or projects.
- Variations in the commercial conditions that may impact the quantities recovered and sold (e.g., market availability, contractual changes).

Where commercial uncertainties are such that there is significant risk that the complete project (as initially defined) will not proceed, it is advised to create a separate project classified as Contingent Resources with an appropriate chance of commerciality.

2.2.1 Range of Uncertainty

The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution (see Deterministic and Probabilistic Methods, section 4.2).

When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

- There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

- There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the deterministic incremental (risk-based) approach, quantities at each level of uncertainty are estimated discretely and separately (see Category Definitions and Guidelines, section 2.2.2).

These same approaches to describing uncertainty may be applied to Reserves, Contingent Resources, and Prospective Resources. While there may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production, it useful to consider the range of potentially recoverable quantities independently of such a risk or consideration of the resource class to which the quantities will be assigned.

2.2.2 Category Definitions and Guidelines

Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental (risk-based) approach, the deterministic scenario (cumulative) approach, or probabilistic methods. (see “2001 Supplemental Guidelines,” Chapter 2.5). In many cases, a combination of approaches is used.

Use of consistent terminology (Figure 1.1) promotes clarity in communication of evaluation results. For Reserves, the general cumulative terms low/best/high estimates are denoted as 1 P/2P/3P, respectively. The associated incremental quantities are termed Proved, Probable and Possible. Reserves are a subset of, and must be viewed within context of, the complete resources classification system. While the categorization criteria are proposed specifically for Reserves, in most cases, they can be equally applied to Contingent and Prospective Resources conditional upon their satisfying the criteria for discovery and/or development.

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1 C/2C/3C respectively. For Prospective Resources, the general cumulative terms low/best/high estimates still apply. No specific terms are defined for incremental quantities within Contingent and Prospective Resources.

Without new technical information, there should be no change in the distribution of technically recoverable volumes and their categorization boundaries when

conditions are satisfied sufficiently to reclassify a project from Contingent Resources to Reserves. All evaluations require application of a consistent set of forecast conditions, including assumed future costs and prices, for both classification of projects and categorization of estimated quantities recovered by each project (see Commercial Evaluations, section 3.1).

Table III presents category definitions and provides guidelines designed to promote consistency in resource assessments. The following summarizes the definitions for each Reserves category in terms of both the deterministic incremental approach and scenario approach and also provides the probability criteria if probabilistic methods are applied.

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

Based on additional data and updated interpretations that indicate increased certainty, portions of Possible and Probable Reserves may be re-categorized as Probable and Proved Reserves.

Uncertainty in resource estimates is best communicated by reporting a range of potential results. However, if it is required to report a single representative result, the “best estimate” is considered the most realistic assessment of recoverable quantities. It is generally considered to represent the sum of Proved and Probable estimates (2P) when using the deterministic scenario or the probabilistic assessment methods. It should be noted that under the deterministic incremental (risk-based) approach, discrete estimates are made for each category, and they should not be aggregated without due consideration of their associated risk (see “2001 Supplemental Guidelines,” Chapter 2.5).

2.3 Incremental Projects

The initial resource assessment is based on application of a defined initial development project. Incremental projects are designed to increase recovery efficiency and/or to accelerate production through making changes to wells or facilities, infill drilling, or improved recovery. Such projects should be classified according to the same criteria as initial projects. Related incremental quantities are similarly categorized on certainty of recovery. The projected increased recovery can be included in estimated Reserves if the degree of commitment is such that the project will be developed and placed on production within a reasonable timeframe.

Circumstances where development will be significantly delayed should be clearly documented. If there is significant project risk, forecast incremental recoveries may be similarly categorized but should be classified as Contingent Resources (see Determination of Commerciality, section 2.1.2).

2.3.1 Workovers, Treatments, and Changes of Equipment

Incremental recovery associated with future workover, treatment (including hydraulic fracturing), re-treatment, changes of equipment, or other mechanical procedures where such projects have routinely been successful in analogous reservoirs may be classified as Developed or Undeveloped Reserves depending on the magnitude of associated costs required (see Reserves Status, section 2.1.3.2).

2.3.2 Compression

Reduction in the backpressure through compression can increase the portion of in-place gas that can be commercially produced and thus included in Reserves estimates. If the eventual installation of compression was planned and approved as part of the original development plan, incremental recovery is included in Undeveloped Reserves. However, if the cost to implement compression is not significant (relative to the cost of a new well), the incremental quantities may be classified as Developed Reserves. If compression facilities were not part of



the original approved development plan and such costs are significant, it should be treated as a separate project subject to normal project maturity criteria.

2.3.3 Infill Drilling

Technical and commercial analyses may support drilling additional producing wells to reduce the spacing beyond that utilized within the initial development plan, subject to government regulations (if such approvals are required). Infill drilling may have the combined effect of increasing recovery efficiency and accelerating production. Only the incremental recovery can be considered as additional Reserves; this additional recovery may need to be reallocated to individual wells with different interest ownerships.

2.3.4 Improved Recovery

Improved recovery is the additional petroleum obtained, beyond primary recovery, from naturally occurring reservoirs by supplementing the natural reservoir performance. It includes waterflooding, secondary or tertiary recovery processes, and any other means of supplementing natural reservoir recovery processes.

Improved recovery projects must meet the same Reserves commerciality criteria as primary recovery projects. There should be an expectation that the project will be economic and that the entity has committed to implement the project in a reasonable time frame (generally within 5 years; further delays should be clearly justified).

The judgment on commerciality is based on pilot testing within the subject reservoir or by comparison to a reservoir with analogous rock and fluid properties and where a similar established improved recovery project has been successfully applied.

Incremental recoveries through improved recovery methods that have yet to be established through routine, commercially successful applications are included as Reserves only after a favorable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program, where the response provides support for the analysis on which the project is based.

These incremental recoveries in commercial projects are categorized into Proved, Probable, and Possible Reserves based on certainty derived from engineering analysis and analogous applications in similar reservoirs.

2.4 Unconventional Resources



Two types of petroleum resources have been defined that may require different approaches for their evaluations:

- Conventional resources exist in discrete petroleum accumulations related to a localized geological structural feature and/or stratigraphic condition, typically with each accumulation bounded by a downdip contact with an aquifer, and which is significantly affected by hydrodynamic influences such as buoyancy of petroleum in water. The petroleum is recovered through wellbores and typically requires minimal processing prior to sale.
- Unconventional resources exist in petroleum accumulations that are pervasive throughout a large area and that are not significantly affected by hydrodynamic influences (also called “continuous-type deposits”). Examples include coalbed methane (CBM), basin-centered gas, shale gas, gas hydrates, natural bitumen, and oil shale deposits. Typically, such accumulations require specialized extraction technology (e.g., dewatering of CBM, massive fracturing programs for shale gas, steam and/or solvents to mobilize bitumen for in-situ recovery, and, in some cases, mining activities). Moreover, the extracted petroleum may require significant processing prior to sale (e.g., bitumen upgraders).

For these petroleum accumulations that are not significantly affected by hydrodynamic influences, reliance on continuous water contacts and pressure gradient analysis to interpret the extent of recoverable petroleum may not be possible. Thus, there typically is a need for increased sampling density to define uncertainty of in-place volumes, variations in quality of reservoir and hydrocarbons, and their detailed spatial distribution to support detailed design of specialized mining or in-situ extraction programs.

It is intended that the resources definitions, together with the classification system, will be appropriate for all types of petroleum accumulations regardless of their in-place characteristics, extraction method applied, or degree of processing required.

Similar to improved recovery projects applied to conventional reservoirs, successful pilots or operating projects in the subject reservoir or successful projects in analogous reservoirs may be required to establish a distribution of recovery efficiencies for non-conventional accumulations. Such pilot projects may evaluate both extraction efficiency and the efficiency of unconventional processing facilities to derive sales products prior to custody transfer.

3.0 Evaluation and Reporting Guidelines

The following guidelines are provided to promote consistency in project evaluations and reporting. “Reporting” refers to the presentation of evaluation results within the business entity conducting the evaluation and should not be construed as



replacing guidelines for subsequent public disclosures under guidelines established by regulatory and/or other government agencies, or any current or future associated accounting standards.

3.1 Commercial Evaluations

Investment decisions are based on the entity's view of future commercial conditions that may impact the development feasibility (commitment to develop) and production/cash flow schedule of oil and gas projects. Commercial conditions include, but are not limited to, assumptions of financial conditions (costs, prices, fiscal terms, taxes), marketing, legal, environmental, social, and governmental factors. Project value may be assessed in several ways (e.g., historical costs, comparative market values); the guidelines herein apply only to evaluations based on cash flow analysis. Moreover, modifying factors such as contractual or political risks that may additionally influence investment decisions are not addressed. (Additional detail on commercial issues can be found in the "2001 Supplemental Guidelines," Chapter 4.)

3.1.1 Cash-Flow-Based Resources Evaluations

Resources evaluations are based on estimates of future production and the associated cash flow schedules for each development project. The sum of the associated annual net cash flows yields the estimated future net revenue. When the cash flows are discounted according to a defined discount rate and time period, the summation of the discounted cash flows is termed net present value (NPV) of the project.



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Outgoing # 001/117
January 16, 2015

LEGAL OPINION ("REPORT")

This Report is prepared for inclusion in a prospectus and notice of general meeting in connection with the proposed recompliance by FeOre Limited ("FeOre") with Chapters 1 and 2 of the ASX Listing Rules in connection with its proposed acquisition from Gain Diligence Limited of 100% of the issued capital of Quangas Poly Limited ("Quangas"), an entity incorporated in the British Virgin Islands. Quangas, through a wholly owned subsidiary, PEI LLC ("PEI" or the "Company"), an entity incorporated in the Kyrgyz Republic which has interests in 3 oil and gas projects in the Kyrgyz Republic comprising:

- (a) the development block of "Mayli-Su IV – East Yizbaskent" (Майли-Су IV – Восточный Избаскент) license area;
- (b) the exploration block of "Yizbaskent-Alash" (Избаскент-Алаш) license area; and
- (c) the exploration block of "Susamyr" (Сусамыр) license area,

(collectively, the "Contractual Subsoil Use Rights"). The subsoil use licenses (the "Subsoil Licenses") for each of the aforesaid areas are held by Kyrgyzneftegaz OJSC ("KNG"). Under a contract with KNG, the Company has contractual rights to explore and recover oil from the areas the subject of the Subsoil Licenses.

1. SCOPE

We have been requested to provide a legal opinion on the legal status and title of:

- (a) the Company;
- (b) Contract No. 381 between the Company and KNG dated October 2, 2013 ("Contract No. 381"), Addendum No. 316 entered into between KNG and Company on May 28, 2014 ("Addendum No. 316") and Agreement No. 328 entered into between KNG and Company on June 3, 2014 amending Contract No. 381 and Addendum No. 316 ("Agreement No. 328"); and
- (c) the Subsoil Licenses.

This Report is strictly limited to the matters with respect to (i) corporate status of the Company, charter capital, shareholding structure, corporate management structure, (ii) subsoil use rights of the Company in the Kyrgyz Republic, including licenses and permits, agreements, environmental issues, land use rights and (iii) litigations and proceedings of the Company.

2. OPINION

As a result of our searches and enquiries, but subject to the qualifications and assumptions set out in this Report, we are of the opinion that, as at the date of the relevant searches listed in **Schedule 1** below:

- a) PEI is duly incorporated under the laws of the Kyrgyz Republic and is in good standing.
- b) Plenty Max Limited and Timely Ideal Limited are the registered holders of 60% and 40% respectively of all of the issued share capital of PEI.
- c) PEI's rights and obligations under the Contract No. 381 (as set out in section 7.2 below) are valid and enforceable.
- d) KNG is the holder of the Subsoil Licenses.
- e) The Subsoil Licenses are valid and in good standing.

3. SEARCHES AND DOCUMENTS

The information contained in this Report is based entirely on the information contained in the documents (in Kyrgyz and Russian languages) covering a period from the date of the Company's establishment August 28, 2013 up to the date of this Report as listed in **Schedule 1** to this Report, the documents that meet the materiality threshold of USD 100,000, which were provided to us during the period of September 25, 2014 to January 15, 2015.

In this Report, we do not purport to pass upon, and have made no investigation of, and express no opinion as to the laws of any jurisdiction other than those of the Kyrgyz Republic (the "Kyrgyz Laws").

SUMMARY OF KYRGYZ LAWS

4. CORPORATE

The name of the current registration body is the Ministry of Justice of the Kyrgyz Republic.

Under the Kyrgyz Laws along with its registration with the Ministry of Justice, the Company is required to register with the (i) statistics, (ii) tax, and (iii) social insurance authorities.

Charter capital

A charter is a constitutive document of any company. In contrast to a foundation agreement, all interested persons shall have the right to review the charter of a company. A charter of a company having several participants shall be approved by the participants and signed by the Company's director.

The charter of a company shall define the type of a company, its name, location, duration of its activities (if such is determined at the time of its establishment), the powers of the executive officer, the management and controlling bodies, their competencies, procedure for its property formation,

procedure for distributing profits and recovering losses, conditions of termination (restructuring or liquidation) of a company, and relationships between the company and its participants.

Under the Kyrgyz Laws a foundation agreement must be approved and executed by the Company's participants (if there are two or more participants in a company). The content of the foundation agreement shall be regarded to be a commercial secret.

In the foundation agreement, the participants agree to establish a company, to determine the procedure for its creation and conditions of transferring their title to property to this company, participating in its activities, distributing profits and losses among the participants, managing its activities, withdrawing from it; the amount of participating interests of each participant; the amount, composition, time limits and procedure for making contributions; the liability of participants for violation of the obligation to make contribution, and the amount and composition of the charter capital.

Management structure

According to the Company's current charter (the "Charter") its current management bodies include the general meeting of participants – the highest management body of the Company, the board of directors – the management body performing overall management of the Company in a period between the general meetings of participants, and the Director – sole executive body responsible for the daily operations of the Company (the "Director").

According to the Charter the general meeting of participants, at its discretion is authorized *among other* to adopt decision in relation to: (i) amendments to the Charter of the Company, (ii) change of the charter capital of the Company; (iii) approval of annual financial reports; (iv) distribution of profits and losses; (v) acquisition by the Company of the participatory interest of a participant in the Company; (vi) admission of new participants; (vii) appointment and dismissal of the member of the board of directors, the executive body, auditor of the Company; (viii) opening and dissolving branches, representative offices and subsidiaries as well as participation in other companies; (v) liquidation or reorganization of the Company; (vi) and approve transactions above KGS 1,000,000; etc.

All decisions of the general meeting of participants related to the issues mentioned in the Article 10.2 of the Charter shall be made unanimously by all participants of the Company. The quorum of the general meetings of participants shall be regarded valid if all participants of the Company attend the meeting either personally or through their duly assigned representatives.

Board of Directors

According to the Charter the board of directors, at their discretion are authorized *among other* to adopt decision in relation to: (i) determination of main areas of activity of the Company; (ii) issues of overall management of the Company's activity; (iii) formation and use of reserve and other funds of the Company; (iv) approval of transaction for the amount from KGS 500,001 up to KGS 1,000,000; (v) supervision of the Director's activity; etc.

According to the Charter the board of directors of the Company shall consist of three (3) members. The members of the board of directors shall be elected for a term of one (1) year. The meetings of the board of directors shall be held when necessary, but not less than twice a year. The meeting of the board of directors shall be quorate when attended by not less than 2/3 of the total number of its

members. The decisions of the board of directors shall be adopted unanimously by attendees present at the meeting.

Executive Body

According to the Charter the Director is the sole executive body of the Company responsible for the daily operations of the Company. The Director signs contracts binding the Company on behalf of the Company without a power of attorney solely on the basis of the Charter.

Pursuant to the Charter the Director *among other* has a right to: (i) represent the Company before all and any authorities, legal entities and individuals in respect of all aspects of the Company's activities; (ii) open, manage and close bank accounts of the Company; (iii) enter into transactions with a value not exceeding than KGS 500,000; (iii) administer human resources and execute labor agreements; (iv) issue orders, internal regulations and powers of attorney on behalf of the Company; etc.

According to the Charter the participants may appoint an internal auditor to audit the financial activities of the Company.

5. CONTRACT

Kyrgyz Laws provide that a contract shall include certain mandatory or imperative conditions to be binding and enforceable. A contract may be disputed (recognized as invalid) or it may entail other negative consequences if it does not include the required Kyrgyz Laws regulating the relevant type of contract.

Based on information contained in the database of legal acts of the Kyrgyz Republic readily accessible to law firms in Bishkek through the exercise of due diligence, the interest of the Government of the Kyrgyz Republic (the "Government") in KNG is prescribed at 85.16%. In this regard, pursuant to Law of the Kyrgyz Republic "On Public Procurement" dated May 24, 2004 No. 69 (the "Public Procurement Law") KNG, partially owned by the Government, must conduct a tender when purchasing goods, works and services in accordance with the procedure and methods set forth in the Public Procurement Law, failing which the contract may not be enforceable. Currently, there is no specific public procurement requirements stipulated for joint-investment/cooperation agreements under the Kyrgyz Laws.

Pursuant to the Kyrgyz Laws only the Government or authorized state authority and an investor can act as parties to the product sharing agreement (the "PSA") and that the Law of the Kyrgyz Republic "On Product Sharing Agreements" dated April 10, 2002 No. 49 (the "Law on PSA") stipulates that PSA shall be signed for a term not exceeding 10 years.

There is also a political risk which may exist if anyone prove(s) that the Company's proportion in the product sharing arrangement shall be less due to less amount of actual capital expenditures.

6. SUBSOIL USE RIGHTS

General regulations

Under the Subsoil Law of the Kyrgyz Republic dated August 9, 2012 No. 160 (the "Subsoil Law") and the Regulation "On licensing of subsoil use" approved by the Resolution of the Government of

the Kyrgyz Republic dated December 14, 2012 No. 834, the mineral exploration and mining rights are granted by awarding a license for the subsoil use right, or by a concession from the Government or by entering into the production sharing agreement with the Government. Licenses are granted following either a tender procedure, auction procedure or through direct negotiations depending on the significance of deposits and reserves of mineral resources. The grant of mineral rights by direct negotiations is made by the Licensing Committee (the “Committee”) of the State Agency for Geology and Mineral Resources under the Government (the “Geology Agency”), while for conducting a tender and an auction the special interdepartmental commissions are created.

Licensees granted subsoil use rights for the deposits that are included in the list of deposits to be distributed by tender shall provide a social package, which includes the program of investing into the social conditions of local community on the territory of which the deposit is located (the “Social Package”).

The Subsoil Law provides for 3 types of licenses depending on the types of works:

- 1) for geological prospecting works a prospecting license shall be issued for up to 5 years with possible extension;
- 2) for geological exploration works an exploration license shall be issued for up to 10 years with possible extension; and
- 3) for development works a development license shall be issued for up to 20 years with possible extension until the depletion of the deposit.

A license consists of two parts: the license itself and the license agreement. A license is invalid if a license agreement has not been entered into between the licensee and the Geology Agency setting out the terms of the license in detail. At the time of initial grant of the license, the Geology Agency executes the license agreement necessary for the licensee (i) to develop a technical document describing the type of activities, technologies, environmental and technical safety measures, environmental impact assessment etc. (the “Technical Design”), (ii) to get expert opinions of the Technical Design for industrial, environmental safety and subsoil protection and (iii) to obtain the rights of use (access) to land. In accordance with the Technical Design the Geology Agency executes the next license agreement for performance of works. Thus, within the duration of the license the licensee and the Geology Agency usually conclude several license agreements: every next license agreement is executed upon the expiration of the previous one and upon a positive decision of the Committee, i.e. the term of a separate license agreement is usually shorter than the term of the license.

The Subsoil Law starting from June 14, 2014 (as of the date when the last amendments to the Subsoil Law entered into force) allows transferring by the licensee of the subsoil use rights granted to the licensee under the license to a third party. The Law of the Kyrgyz Republic “On Oil and Gas” dated June 8, 1998 No. 77 (the “Oil and Gas Law”) stipulates that the licensee upon the consent of the authorized state body may transfer the right to the license to third parties that have the technical and financial capacities for additional supporting of the project on a contract territory.

Land rights

The procedure for obtaining land rights is established by the Land Code of the Kyrgyz Republic dated June 2, 1997 No. 45 (the “Land Code”) and the Subsoil Law. Currently, a Regulation “On allocation of land plots for subsoil use” that gives a detailed explanation of the provisions in the above mentioned laws is in the process of development.

Requirements applicable to land use may differ substantially depending on the category (type) of such land, its administrative location, ownership type (in state, municipal or private ownership). Thus, in addition to the Land Code there are number of laws and regulations specific to particular types of lands, namely, such as Law “On Pastures” dated January 26, 2009 No. 30, Law “On Management of Agricultural Lands” dated January 11, 2001 No. 4, Regulation on lands of industry, transport, communications, energy and procedure of their use” approved by the Resolution of the Government of July 10, 1992 No. 316, Law “On Special Protected Territories” dated May 3, 2011 No. 18, Law “On Transformation of Land Plots” dated July 15, 2013 No. 145, Law “On Moratorium on Transformation of Irrigable Plows into Other Categories of Lands” dated July 31, 2009 No. 257.

In accordance with the Land Code a right for the land plot can be verified by the title establishing documents (decrees, decisions, agreements, etc.) and title certifying documents (state acts, certificates for right of temporary use, etc.). Herewith, the land plots can be used only in accordance with their category and designated purpose, which are indicated in the land cadastre of the Kyrgyz Republic and title certifying documents. If in case of granting of land plots for temporary use or into ownership their category and/or designated purpose do not correspond to those goals for which an owner/land user intends to use them for, such land plots before they used shall be transformed into the respective category and/or their designated purpose shall be changed in accordance with the procedure and conditions foreseen by the Kyrgyz Laws.

Besides, according to Articles 4 and 73 of the Land Code pastures cannot be allocated into private ownership or temporary use and use of pastures for subsoil development is prohibited, unless they are transformed to another category of lands according to the Kyrgyz Laws.

The agricultural lands may not be provided or transferred to foreign nationals, including foreign legal entities, into ownership and temporary use. The land plots within settlement (city, village, rural settlement) boundaries may be provided to foreign nationals and entities for fixed-term (temporary) use or transferred into ownership in case of enforcement of security interests in residential mortgage lending transactions pursuant to Kyrgyz pledge law. The land plots outside settlement boundaries, except agricultural lands and mineral areas, may be provided to foreign nationals for fixed-term (temporary) use by decision of the Government. In other cases, the lands outside settlement boundaries shall be provided, transferred or passed to foreign nationals for fixed-term (temporary) use by universal succession.

The land plots in mineral areas shall be provided to foreign nationals for fixed-term (temporary) use in the same way as to Kyrgyz companies. The land plots in frontier areas may not be provided to foreign nationals, stateless persons and foreign entities for fixed-term (temporary) use.

Subsoil use rights of the Company

Under Kyrgyz Laws, the mineral exploration and mining rights are granted either by awarding a license for the subsoil use right, or by a concession from the Government, or by entering into the production sharing agreement with the Government.

According to the Oil and Gas Law the Kyrgyz Republic has a preferential right to acquisition of oil, gas and their derived products. Thus, in case of selling or export of oil, gas and derived products a licensee shall send one month prior notification to the state body authorized by the Government about such transaction and provide it with this preferential right to acquisition of all or part of oil, gas and derived products received in the result of activities in oil and gas industry. The Kyrgyz

Laws do not clearly determine the state body that is entitled to preferential right for acquisition of oil. Besides, we are not aware of cases when the above mentioned provision of the Oil and Gas Law has been implemented and the foreseen preferential right was applied/exercised.

If the Kyrgyz Republic/authorized state body does not exercise its preferential right and purchase the oil, the Company upon receipt of the written refuse can export its portion of oil. However, it shall be noted that the Government has a right to ban the export of oil and gas developed on the territory of the Kyrgyz Republic and their derivative products for a term not exceeding 6 months in a calendar year with explaining the reasons.

The Law of the Kyrgyz Republic “On Investments in the Kyrgyz Republic” dated March 27, 2003 No. 66 (the “Investment Law”) provides for guaranties and rights granted to investors, *among other* such as freedom of monetary transactions (free conversion of currency, unbound and unrestricted money transfers). Should provisions restricting money transfers in foreign currency be introduced into the legislation of the Kyrgyz Republic, these provisions will not apply to foreign investors, with the exception of cases where investors engage in illegitimate activities (such as money laundering).

7. MATERIAL TERMS OF THE CO-INVESTMENT AGREEMENT

PEI and KNG have entered into the following agreements:

- (a) Contract No. 381 dated October 2, 2013;
- (b) Addendum No.316 dated May 28, 2014; and
- (c) Agreement No. 328 dated June 3, 2014,

(collectively, the “Co-Investment Agreement”), under which the Company has the contractual enforceable right/obligation to conduct exploration and development works on the license areas jointly with KNG, and to extract oil.

Material Terms

The material terms of the Co-Investment Agreement are as follows:

- (a) The term of the agreement is 20 years from the date of its execution and can be prolonged upon agreement of the parties up to the complete drilling of the deposit and up to reach of 20 years by the last drilled well.
- (b) KNG and PEI will jointly conduct exploration work on the “Susamyr” and “Yizbaskent-Alash” license areas and conduct well drilling and well repair work on the “Mayli-Su IV – East Yizbaskent” development area owned by KNG.
- (c) KNG will provide the exploration right of “Susamyr” and “Yizbaskent-Alash” areas as per the license granted by the Geology Agency.
- (d) Within the “Mayli-Su IV – East Yizbaskent” license area, oil extraction may only be performed on Layer III (with the exception that certain wells, with the prior consent of KNG, may be drilled to layer XIX). With the prior agreement of KNG, if the first stage drilling of 28 wells on Layer I to Layer XIX and product sharing has been completed, PEI has the rights to drill a further 28 wells, and the same arrangement follows at the completion of each stage of drilling.
- (e) PEI has the right to rejuvenate suspended and abandoned wells (i.e. workover of wells) with the list of wells and sequence of workover being agreed by PEI and KNG.

- (f) PEI has the right to drill 3 wells within specific areas of “Mayli-Su IV – East Yizbaskent” oilfield to exploit oil within Layer XIII, XIV and XVIII. The contract does not include natural gas operation. If natural gas is extracted within these layers, such natural gas shall not be exploited and the well will be sealed at such Layer or sub layer. PEI has the right to continue to explore or to conduct oil testing on drilled wells for these layers from the lower layer to the higher layers (i.e layer III, V and VII) or to completely abandon such well.
- (g) KNG will assist in the preparation of relevant commencement of work documents or other permits for the purpose of completing the well drilling and exploration work.
- (h) PEI will invest financial and technical support for conducting exploration works and drilling of production wells on the first stage within 3 years. Upon achieving product sharing for the first stage, PEI will invest financial and technical support for conducting exploration works and drilling of production wells for the second stage (i.e. the next 28 exploitation wells) and the same arrangement follows at the completion of each stage of drilling.

- (i) PEI will conduct works pursuant to the following work program (Work Program):

2014	2015	2016
Drilling of 4 new wells (start of drilling in June 2014)	Drilling of 12 new wells	Drilling of 12 new wells

- (j) PEI is obliged to perform work in accordance with the Work Program for the initial 3 years and may perform work in addition to the Work Program and drill additional wells.
- (k) Work performed and wells drilled in addition to the Work Program shall constitute part of and be governed by the Co-Investment Agreement. Upon agreement, KNG shall allocate additional area for the purpose of commencing further co-investment.
- (l) Upon the expiry of the first 3 years Work Program, PEI will provide a work program for the next 3 years.
- (m) Any work procedure on implementation of cooperation terms not described in the Co-Investment Agreement shall be performed in accordance with Appendix 4 (Procedure of work on implementation of contract terms) which constitutes an integral part of the Co-Investment Agreement.
- (n) Anything done in relation to the maintenance of work by PEI or KNG will be considered as an investment on the part of such Party in proportion to its share of product.
- (o) During the term of effect of the Co-Investment Agreement, PEI and KNG will be independently responsible for their own budgeted capital, out-of budget capital and non-taxable capital.
- (p) Oil exploited shall be apportioned between KNG and PEI in the following manner:
 Oil extracted from “Mayli-Su IV – East Yizbaskent” oilfield, and “Susamyr” and “Yizbaskent-Alash” exploration areas:
 New production wells: KNG 40% and PEI 60%;
 Abandoned and non-production wells: KNG 35% and PEI 65%;
 Rejuvenating non-production well or abandoned wells: KNG 60% and PEI 40%;
 Exploration wells drilled by PEI: KNG 30% and PEI 70% until the exploration works are completed. Subsequently, oil extracted from production wells drilled by PEI will be apportioned after determining oil reserves.
 Oil extracted from new production wells in Layers XIII, XIV and XVIII of “Mayli-Su IV – East Yizbaskent” oilfield:
 during first year of exploitation of each well: KNG 20% and PEI 80%
 starting from second year of exploitation of wells: KNG 55% and PEI 45%;
 Production wells established and funded by PEI are divided into and belong: KNG 40% and PEI 60%.

- (q) For the purpose of completing work, KNG will provide PEI necessary technical means and equipment (from existing production equipment) and PEI will compensate KNG.
- (r) For the purpose of reclamation of disturbed land allocations, PEI will make monthly payments to the reclamation account of an amount according to the technical reclamation project, including all relevant taxes.
- (s) If PEI uses KNG's storage, transportation and oil refinery plant services, PEI shall compensate KNG with a portion of PEI's shares of product (oil). The rate of compensation will be based on the current standard rate charged by KNG.
- (t) If PEI fails to perform its obligations under the Co-Investment Agreement or perform work in accordance with the Work Program and is unable to provide reasons for such non-performance, KNG may unilaterally cease providing new wells for drilling. PEI retains the right to operate the drilled and repaired wells.
- (u) KNG may not allocate the areas covered in the Co-Investment Agreement to any other foreign companies during the performance of obligations under the Co-Investment Agreement.
- (v) PEI and KNG will use their best endeavors to resolve any disputes by negotiation. If agreement cannot be reached, the dispute will be dealt with by Kyrgyz judicial authorities.
- (w) PEI has paid KNG US\$100,000 to maintain oil extraction and crude oil transportation and to keep the electric network and roads in working order as prescribed by the Co-Investment Agreement.
- (x) The Co-Investment Agreement is governed by the Kyrgyz Laws.

Other matters

The Co-Investment Agreement as originally executed between the Company and KNG does not clearly define the type of the contract. Without amendment, the Co-Investment Agreement could be disputed (recognized invalid) or may entail other negative consequences for the Company provided that it does not correspond to imperative provisions of the Kyrgyz Laws regulating the respective type of contract.

If the Co-Investment Agreement is classified as a contract for procurement of works and services, there is a risk that it might be disputed (recognized void) by any interested party (e.g. the Prosecutor's Office, KNG's shareholders, etc.) as we are not aware if the requirements of the Kyrgyz Laws on public procurement were followed while concluding Contract No. 381. To the best of our knowledge, KNG has been concluding contracts similar to the Co-Investment Agreement with other companies without conducting a tender. However, we are not aware of whether such contracts have been ever voided.

To minimize this risk, the Company and KNG have subsequently amended the Contract No. 381 and Addendum No. 316 by Agreement No. 328, such that its type, subject and conditions are determined and in accordance with the requirements of the Kyrgyz Laws. Having reviewed the terms of Contract No. 381, Addendum No. 316 and Agreement No. 328, we are of the view that the Contract No. 381 (as supplemented and amended by Addendum No. 316 and Agreement No. 328) is a joint-investment/cooperation agreement and that currently there is no specific public procurement requirement stipulated under the Kyrgyz Laws for such type of contract. If the Co-Investment Agreement is treated as joint activities (or co-operation) agreement, then the risk of its invalidation due to failure to comply with public procurement procedures is remote.

There is also a political risk which may exist if anyone prove(s) that the Company's proportion in the product sharing arrangement shall be less due to less amount of actual capital expenditures.

The Co-Investment Agreement does not provide for the procedure of proving violation of the terms by the Company. If KNG terminates the contract without a reason, the Company shall be entitled to take legal remedy provided by the Co-Investment Agreement and the Kyrgyz Laws. Under the Kyrgyz Laws KNG shall be treated as any other private party, however, in practice KNG being partially owned by the Government may have some administrative support.

8. DESCRIPTION OF THE SUBSOIL USE RIGHTS

Subsoil use rights of PEI

According to Article 20 of the Subsoil Law, subsoil use right can be granted on the basis of a license, concession and product sharing agreement.

According to the letter of the Company dated October 1, 2014, the Company does not have any license for subsoil use right. The Company has been issued neither a license nor concession. The Company has a contractual, rather than a statutory right for exploration and/or mining of oil as provided by KNG pursuant to the the Co-Investment Agreement.

While KNG has a license for development of oil on "Mayli-Su IV – East Yizbaskent" deposit and prospecting of oil and gas on "Susamyr" and "Yizbaskent-Alash" areas, the Company has the right to a portion of the produced oil under the Co-Investment Agreement.

Subsoil use rights of KNG

According to Article 22 of the Subsoil Law the subsoil right (license) for development is granted up to 20 years with possible extension until the depletion of the deposit and the subsoil right (license) for prospecting is granted up to 5 years with possible extension pursuant to the Technical Design.

Pursuant to the letter of the Geology Agency dated January 15, 2015:

- the license No. 2520 HE for development of oil on "Mayli-Su IV – East Yizbaskent" deposit was issued to KNG on July 28, 1999;
- the license No. 410-HII for prospecting of oil and gas on "Susamyr" area was issued to KNG on February 21, 2006 and extended on December 11, 2013;
- the license No. 405-HII for prospecting of oil and gas on "Yizbaskent-Alash" area was issued to KNG on February 21, 2006 and extended on June 11, 2013.

If the licenses are not extended by the Geology Agency upon request of KNG when they expire (for example, in case of violation of license agreements and/or laws), this in turn will lead to impossibility of further (after the dates of expiry) cooperation between KNG and the Company under Contract No. 381 or any other similar agreement between them.

If KNG does not fulfill or fulfills any of its obligations improperly under the license agreements and the Kyrgyz Laws, the Geology Agency may suspend or revoke (annul) the license(s) of KNG. This in turn will imply impossibility of cooperation between KNG and the Company within Contract No. 381 or any other similar agreement between them.

According to the letter of the Geology Agency dated January 15, 2015:

- the term of the license of KNG for development of oil on “Mayli-Su IV – East Yizbaskent” deposit expires on December 11, 2019;
- the term of the license of KNG for prospecting of oil and gas on “Susamyr” area expires on December 31, 2016;
- the term of the license of KNG for prospecting of oil and gas on “Yizbaskent-Alash” area expires on December 31, 2016;
- As of the date of the letter the Subsoil Licenses are valid;
- KNG fulfills its obligations under the license agreements.

Under the Co-Investment Agreement KNG invests into the joint activity the exploration rights to “Susamyr” and “Yizbaskent-Alash” areas, while it holds subsoil right (license) for prospecting of oil and gas on “Susamyr” and “Yizbaskent-Alash” areas.

Land use rights

In accordance with the Land Code a right for the land plot can be verified by the title establishing documents (decrees, decisions, agreements, etc.) and title certifying documents (state acts, certificates for right of temporary use, etc.). Herewith, the land plots can be used only in accordance with their category and designated purpose, which are indicated in the land cadastre of the Kyrgyz Republic and title certifying documents. If in case of granting of land plots for temporary use or into ownership their category and/or designated purpose do not correspond to those goals for which an owner/land user intends to use them for, such land plots before they used shall be transformed into the respective category and/or their designated purpose shall be changed in accordance with the procedure and conditions foreseen by the Kyrgyz Laws.

If KNG does not have a right for the land plots or any part of them or those rights are granted improperly, then the Company may have problems with access to the areas allocated under the Co-Investment Agreement and/or Company and its authorized persons may subsequently be held liable for unlawful use of land plots, their damage, etc.

According to the information available on the official web-page of the Geology Agency:

- the license area under the license No. 2520 HE for development of oil on “Mayli-Su IV – East Yizbaskent” deposit equals to 14,953 hectares;
- the license area under the license No. 410-HII for prospecting of oil and gas on “Susamyr” deposit equals to 33,425 hectares;
- the license area under the license No. 405-HII for prospecting of oil and gas on “Yizbaskent-Alash” deposit equals to 171 square kilometers.

We are not aware of status of the rights of KNG with regards to the land plots where the activity of the Company is taking place/planned to take place under the Co-Investment Agreement.

Environmental issues

Contract No. 381 prescribes that the Company shall conduct works in compliance with the environmental laws of the Kyrgyz Republic. Besides, the Kyrgyz Laws establish certain requirements for environmental and subsoil protection. If the Company has not been complying with the environmental laws, the Company and its authorized representatives may be held liable (property and/or administrative and/or criminal).

9. QUALIFICATIONS AND ASSUMPTIONS

In preparing this Report, we have not analyzed financial, technical and other issues except for legal ones. We have not checked and have not had an opportunity to check actual boundaries, configurations, areas and location of areas and land plots where the Company conducts its subsoil use related operations, including, their compliance with the information given in the documents provided to us.

- (a) We have assumed the accuracy and completeness of all searches and other information or responses obtained from the relevant department or authority.
- (b) With respect to the Contractual Subsoil Use Rights, we have assumed the accuracy and completeness of the information which we have received from the various representatives of PEI.
- (c) The holding of Subsoil Licenses by KNG is subject to compliance with the terms and conditions and the provisions of the applicable exploration and mining legislation of the Kyrgyz Republic and respective licence agreements.
- (d) We have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives;
- (e) Where compliance with the requirements necessary to maintain the Subsoil Licenses in good standing is not disclosed on the face of the searches referred to in this Report, we express no opinion on such compliance;
- (f) References to any area of land or coordinates are taken from details shown on the official web-page of the Geology Agency. It is not possible to verify the accuracy of those areas without conducting a physical survey.
- (g) With respect to the granting of the Subsoil Licenses, we have assumed that the respective state authorities and KNG had complied with applicable legal acts of the Kyrgyz Republic regulating the procedure for application, review and issuance of subsoil use licences;
- (h) This Report does not cover any third party interest, including encumbrances, in relation to the Subsoil Licenses which are not registered with the state authorities;
- (i) We have assumed that any document and information provided to us in relation to the Contractual Subsoil Use Rights are authentic, were within the powers and capacity of those who executed them, were duly authorised, executed and delivered and are binding on the parties to them;
- (j) The information in relation to the Co-Investment Agreement is accurate as at the date of this Report.
- (k) Contract No. 381 as supplemented and amended by Addendum No. 316 and Agreement No. 328 is now clearly defined as a joint-investment and co-operation agreement such that the Public Procurement Law does not apply as from the date of such amendment. We consider that such amendment has minimized the risk that Contract No. 381 may be disputed and

classified as a contract for the procurement of goods and services to which the laws on public procurement apply.

- (l) We are not aware whether KNG fulfills its obligations under the license agreements to the Subsoil Licenses.
- (m) The status of KNG's rights with regard to the land plots where the activity of PEI is taking place or planned to take place under the Co-Investment Agreement is not known. If KNG does not have a right for the land plots or any part of them or those rights are granted improperly, then PEI may have problems with access to the areas allocated under the Co-Investment Agreement and/or PEI and its authorised persons may subsequently be held liable for unlawful use of land plots or their damage. Further, we cannot confirm if the land plots for subsoil use to which the projects relate comprise agricultural land.
- (n) We have been provided with a letter of confirmation dated November 21, 2014 from the Company that it has complied with its obligations under Contract No. 381, including supplements and amendments thereto, and that it has complied with the relevant environmental laws of the Kyrgyz Republic. We cannot confirm whether other conditions and obligations under the Co-Investment Agreement have been followed and performed by the Company and KNG.
- (o) We cannot confirm whether the Company complies with the environmental laws of the Kyrgyz Republic. The Company has provided us with a letter of confirmation stating that it has conducted all works in compliance with the environmental laws of the Kyrgyz Republic and it has not been notified of any alleged breach of the environmental laws of the Kyrgyz Republic, however, we cannot exclude this risk, since compliance with the environmental laws is inspected by the relevant state authorities that might make a claim against the Company.
- (p) There is no publicly available up-to-date database of cases in the Kyrgyz Republic. Access to the case materials is granted only to participants of (persons/ entities involved in) the litigation. In practice the courts often tend not to provide responses to the inquiries on ongoing litigation in relation to an entity if inquiries are made by the persons/ entities not involved in particular case(s). Nevertheless, taking into account the registered address of the Company, we have filed inquiries on ongoing litigation/proceedings involving the Company and have received responses from the following courts:
- i. Pervomaiskiy district court of Bishkek city provided a letter No. H-17 dated September 30, 2014 confirming that the Company since September 1, 2013 has not been involved in any court proceedings at Pervomaiskiy district court of Bishkek city.
 - ii. Bishkek city court provided letters No. 237 dated October 7, 2014 confirming that the Company is not involved in any court proceedings at Bishkek city court.
 - iii. The Supreme Court of the Kyrgyz Republic provided a letter No. 01-11/1174 dated October 7, 2014 confirming that the Company is not involved in any court proceedings at the Supreme Court.
 - iv. The International Court of Arbitration under the Chamber of Commerce of the

Kyrgyz Republic provided a letter No. 128 dated October 14, 2014 confirming that the Company is not involved in any arbitration proceedings at such court.

- (q) Pursuant to the Charter of the Company as of August 15, 2013 which was in force at the date of execution of the Contract No. 381, approval of transactions with a value exceeding KGS 500,000 (approximately USD 9,000) was in the competence of the General Meeting of Participants of the Company, while the Director had an authority to execute the transaction with a value not exceeding KGS 500,000. From the text of Contract No. 381 it is impossible to identify the total value of the contract, however, under Contract No. 381 the Company agreed to make a lump sum payment in the amount of USD 100,000 to KNG. Thus, we are of the opinion that Contract No. 381 had to be approved by the General Meeting of Participants. We have been provided with the Decision of the Extraordinary General Meeting of Participants dated October 20, 2013 according to which the participants unanimously resolved to approve Contract No. 381 for 20 years with the right for extension. However, we have not been provided with a decision of the General Meeting of Participants of the Company on execution of Addendum No. 316 or Agreement No.328.

We are not aware whether KNG was required to adopt corporate approvals and if it had to, whether they were adopted. It depends on provisions of constituent documents of KNG and balance sheet assets of KNG on execution date of each Contract No. 381, Addendum No. 316 and Agreement No.328 but we do not have any information on this matter.

- (r) In relation to the participant agreements, the signatures of the spouses Shuming Zhang and Tianfeng Ma, and Mr. Wang Ning are not respectively notary certified, i.e. are not duly formalised.

10. CONSENT

Kalikova & Associates gives its written consent to the inclusion of this Report in the Notice of Meeting and Prospectus in the form and context in which it is included. This Report is not to be quoted or referred to in any other public document or filed with any government body or other person without our prior consent.

Sincerely, *Kalikova & Associates*

Kalikova & Associates

SCHEDULE 1 – LIST OF DOCUMENTS**Corporate Issues**

1. E-extract from the public register of the Ministry of Justice as of October 10, 2014;
2. Official response from the Ministry of Justice as of October 27, 2014;
3. Official response from the Department of Bankruptcy as of October 20, 2014;
4. Certificate of state registration of the Company as of August 28, 2013;
5. Certificate of state re-registration of the Company as of January 16, 2014;
6. Official letter from the Bishkek Department of the State Statistics as of September 12, 2013;
7. Taxpayer registration card issued on January 20, 2014;
8. Notice to a payer of insurance contributions as of January 27, 2014;
9. Cash receipt confirming the partial payment (KGS 200,000) of the charter capital of the Company as of September 15, 2013;
10. Cash receipt No 2 confirming the partial payment (KGS 400,000) of the charter capital of the Company as of September 15, 2014;
11. Cash receipt No 3 confirming the partial payment (KGS 400,000) of the charter capital of the Company as of September 15, 2014;
12. Foundation (participants) agreement of the Company as of August 15, 2013;
13. Foundation (participants) agreement of the Company as of December 26, 2013;
14. Power of Attorney from Plenty Max Limited to Mr. Wang Ning as of December 1, 2013;
15. Power of Attorney from Timely Ideal Limited to Mr. Ma Tianfeng as of December 1, 2013;
16. Charter of the company as of August 15, 2013;
17. Charter of the company as of December 26, 2013;
18. The lease agreement between the Company and Ms. Gulmira Eshimkulova as of August 15, 2013;
19. The Addendum 1 as of February 12, 2014 to the lease agreement between the Company and Ms. Gulmira Eshimkulova as of August 15, 2013;
20. The Addendum 2 as of August 20, 2014 to the lease agreement between the Company and Ms. Gulmira Eshimkulova as of August 15, 2013;
21. Resolution of the general meeting of participants of the Company as of August 15, 2013;
22. Resolution of the general meeting of participants of the Company as of December 26, 2013;
23. Resolution of the general meeting of participants of the Company as of February 5, 2014;
24. Participatory interest transfer agreement between Plenty Max Limited and Mr. Zhang Shuming as of December 26, 2013;
25. Participatory interest transfer agreement between Plenty Max Limited and Mr. Ma Tianfeng as of December 26, 2013;
26. Participatory interest transfer agreement between Timely Ideal Limited and Mr. Zhang Shuming as of December 26, 2013;
27. Participatory interest transfer agreement between Timely Ideal Limited and Mr. Wang Ning as of December 26, 2013;
28. Written preemptive right waivers of Zhang Shuming as of November 20 and November 24, 2013;
29. Written preemptive right waivers of Ma Tianfeng as of November 10 and November 20, 2013;
30. Written preemptive right waivers of Wang Ning as of November 7 and November 23, 2013;
31. Written consent for the sale of participatory interest in the Company from Zhang Shuming's spouse;
32. Written consent for the sale of participatory interest in the Company from Ma Tianfeng's spouse;
33. Written confirmation from Wang Ning on his single marital status as of December 10, 2013;

34. Balance sheet as of December 31, 2013;
35. Profit and loss report as of the period ending on December 31, 2013;
36. Chart certified by the company showing its shareholders structure as of February 20, 2014;
37. Chart certified by the company showing its organizational structure as of February 20, 2014;
38. Passport of Mr. Shuming Zhang;
39. Passport of Mr. Tianfeng Ma;
40. Passport of Mr. Ning Wang;
41. Passport of Yang Luwu;
42. Warranty and information letter from the Company as of November 27, 2014.

Subsoil Use Rights

43. Contract No. 381 between the Company and KNG dated October 2, 2013;
44. Addendum No. 316 dated May 28, 2014 to the Contract No. 381 between the Company and KNG dated October 2, 2013;
45. Agreement No. 328 dated June 3, 2014 on amendments to the Contract No. 381 of October 2, 2013 between KNG and the Company;
46. Confirmation letter of the Company dated October 1, 2014;
47. Foreign Currency Transfer Application dated November 26, 2013;
48. Letter of the Company dated November 21, 2014 as to confirmation of obligations under the Contract No. 381, including supplements and amendments thereto and Environmental Laws;
49. Letter of the Geology Agency No. 03-4/162 dated January 15, 2015.

Litigation

50. Confirmation letter of the Company dated October 1, 2014;
51. Letter of the Pervomaiskiy District Court No. H-17 dated September 30, 2014;
52. Letter of the Bishkek City Appellate Court No. 237 dated October 7, 2014;
53. Letter of the Supreme Court of the Kyrgyz Republic No. 01-11/1174 dated October 7, 2014;
54. Letter of the International Court of Arbitration under the Chamber of Commerce of the Kyrgyz Republic No. 128 dated October 14, 2014.

10 FINANCIAL INFORMATION FOR THE GROUP

10.1 The Company

This section includes a summary of the historical income statements and statement of financial position of the Company for the financial years ending 30 June 2012, 2013 and 2014 years that the Directors consider relevant to investors. The Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity for the financial years ending 30 June 2012, 2013, and 2014, have been derived from the audited financial report of the Company for the respective years. The financial information presented is in abbreviated form and does not contain all of the disclosures that are usually contained in statutory accounts prepared in accordance with the Corporations Act.

FeOre Financial Information (US\$)	2014	2013	2012
Total Revenue	522	739	544
Operating Expenses	(1,961)	(4,042)	(3,948)
EBIT	(1,439)	(3,303)	(3,404)
Total assets	53,667	100,267	104,467
Total liabilities	0	42,966	43,123
Net assets	53,667	57,301	61,344

BDO Corporate Finance (WA) Pty Ltd has prepared an Investigating Accountant's Report which includes information derived from the audited financial report of the Company for the year ended 30 June 2014, a copy of which is included in section 11 of the Prospectus. Please refer to section 11 of the Prospectus for further information.

The audited financial statements (inclusive of significant accounting policies) of the Company for the financial years 2012, 2013 and 2014 are incorporated by reference in this Prospectus, and are available free of charge on the Company's website at www.feore.com or by request to the Company on (618) 9486 4036.

10.2 Quangas Poly

Quangas Poly was incorporated in December 2012. As set out in section 5.2, it has two operating entities - PEI (held via interposed special purpose entities - Wide Prestige Limited, Plenty Max Limited and Timely Ideal Limited; each incorporated in the BVI) and CAXY Financial Leasing Limited (incorporated in the PRC).

Report. To date PEI's trading activities are limited to exploration as the Projects are still in exploration or drilling stage. PEI is not required to prepare audited financial statements. The Directors consider the most recent statement of financial position, reviewed as at 31 August 2014, provides sufficient detail of historical financial information of PEI and for that reason PEI has not voluntarily prepared audited historical financial information. The Directors do not consider that historical financial information for either PEI or the interposed entities to be relevant to investors. Details on the work undertaken by Beijing Orion on behalf of PEI is set out in section 5.2.

CAXY is yet to commence operations and, for that reason, the Directors do not consider audited historical financial information for the entity to be relevant to investors.

BDO has prepared an Investigating Accountant's Report in respect of the pro-forma financial information. A copy of this report is set out in section 11 of the Prospectus.

10.3 Historical financial information

A consolidated pro-forma historical statement of financial position as at 30 June 2014 for the Company is contained in Appendix 2 of the Investigating Accountant's Report.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in the Australian Accounting Standards and the Company's adopted accounting policies. The Statement of Financial Position as at 30 June 2014, the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity for the year ended 30 June 2014 of the Company, included in the historical financial information, has been derived from the financial report of the Company for the year ended 30 June 2014, which was audited by Ernst & Young in accordance with the Australian Auditing Standards. Ernst & Young issued an unqualified opinion on the financial report. The historical financial information of Quangas Poly has been reviewed by BDO Audit (WA) Pty Ltd in accordance with Australian Accounting Standards. BDO Audit (WA) Pty Ltd has issued an unmodified opinion on the historical financial information.

The historical information is presented in the Appendices to the Investigating Accountant's Report in an abbreviated form, in so far as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

10.4 Pro forma historical financial information

BDO has reviewed the pro forma historical statement of financial position as at 30 June 2014 for the Company. The pro forma historical financial information has

been derived from the historical financial information of the Company, after adjusting for the effects of any subsequent events described in section 7 and the pro-forma adjustments described in section 8 of the Investigating Accountant's Report. The stated basis of preparation is the recognition and measurement principles contained in the Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in sections 7 and 8 of the Investigating Accountant's Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position.

Shareholders should read the Investigating Accountant's Report in full before making any investment decision.

10.5 Financial prospects

The Directors have considered the matters outlined in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings or disclose details of Quangas Poly's financial model, for the reasons set out above.

For personal use only

For personal use only

FEORE LIMITED (TO BE RENAMED SAGALIO
ENERGY LIMITED)
Investigating Accountant's Report

9 February 2015

9 February 2015

The Directors
FeOre Limited
62/F, The Center
99 Queens Road Central
Hong Kong

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

We have been engaged by FeOre Limited ('FeOre' or 'the Company') to prepare this Investigating Accountant's Report ('Report') on the historical financial information and pro forma historical financial information of FeOre for inclusion in a prospectus ('Prospectus') to be issued by the Company. Broadly, the Prospectus will offer up to 100 million New Shares at an issue price of A\$0.05 each to raise A\$5 million before costs ('the Offer'). In conjunction with the Offer, the Company has also entered into a binding Memorandum of Understanding ('MoU') to acquire 100% of Quangas Poly Ltd ('Quangas') which is an entity that operates oil projects located in the Kyrgyz Republic.

The maximum amount raised under the Prospectus is A\$5 million before costs. The Offer is subject to a minimum subscription level of 70 million New Shares to raise A\$3.5 million before costs.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('BDO') holds an Australian Financial Services Licence (AFS Licence Number 316158).

2. Scope

Historical financial information

You have requested BDO to review the following historical financial information included in the Prospectus:

- The Statement of Profit or Loss and Other Comprehensive Income for FeOre for the year ended 30 June 2014;
- The Statement of Financial Position for FeOre as at 30 June 2014;
- The Statement of Changes in Equity for FeOre for the year ended 30 June 2014; and

- The Consolidated Statement of Financial Position of Quangas for the period ended 31 August 2014.

(collectively the 'historical financial information').

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and FeOre's adopted accounting policies. The historical financial information of FeOre has been audited by Ernst & Young Global Limited in accordance with the Australian Auditing Standards. Ernst & Young Global Limited issued an unmodified opinion on the historical financial information. The historical financial information of Quangas has been reviewed by BDO Audit (WA) Pty Ltd in accordance with the Australian Accounting Standards. BDO Audit (WA) Pty Ltd issued an unmodified opinion on the historical financial information.

The historical financial information is presented in the Appendices to this report in an abbreviated form, in so far as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma historical financial information

You have requested BDO to review the pro forma historical statement of financial position as at 30 June 2014 for FeOre referred to as the 'pro forma historical financial information'

The pro forma historical financial information has been derived from the historical financial information of FeOre, after adjusting for the effects of any subsequent events described in section 7 and the pro forma adjustments described in section 8. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 7 and section 8, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual or prospective financial position.

3. Background

During the year ended 30 June 2014, there were significant changes to the nature of FeOre's principal activities as the Company disposed of its entire interest in their Mongolian iron ore assets during June 2014. Following the sale of its Mongolian iron ore assets, the Company's assets consisted of receivables owed by a third party to a subsidiary of FeOre of approximately US\$4.74 million plus accrued interest and an escrowed sum of US\$5.67 million to be released if the purchaser of the Company's Mongolian iron ore assets lists the asset on Hong Kong Stock Exchange ('Escrowed Sum'). During January 2015, the Company announced they had received payback of the US\$4.74 million for settlement of the loan receivable.

Since the sale, the Company has actively sought to acquire commodity assets in the Central Asian region that have the potential to maximise Shareholder return.

On 23 July 2014 the Company announced that it had entered into the MoU with Gain Diligence Limited to acquire 100% of Quangas, an entity incorporated in the British Virgin Islands. Through a wholly owned subsidiary, PEI LLC ('PEI') (an entity incorporated in Kyrgyzstan), Quangas has interests in three oil projects in the Kyrgyz Republic ('the Acquisition').

To fund the Acquisition, development work on the three oil projects and working capital, the Company will seek to raise a minimum of A\$3.5 million. In consideration for the Acquisition,

FeOre shall pay the purchase price of US\$17.1 million and transfer the entities owned by the Company which hold the Escrowed Sum. A refundable deposit of US\$10 million was paid to the vendor upon signing the MoU, with the balance to be paid at completion.

4. Director's responsibility

The directors of FeOre are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

5. Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

6. Conclusion

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, in all material aspects, the financial performance for the year ended 30 June 2014 or the financial position as at 30 June 2014 in accordance with the stated basis of preparation as described in section 2.

Pro-forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 2.

7. Subsequent Events

The pro-forma statement of financial position reflects the following events that have occurred subsequent to the period ended 30 June 2014 that relate to FeOre:

- On 1 July 2014, the Company bought back 416,753,871 fully paid ordinary shares for A\$0.0755, at a total cost of approximately A\$31,464,917;
- On 7 January 2015, the Company announced that it had received payback of the US\$4.74 million for settlement of the loan receivable; and

- The Company will acquire 100% of Quangas with consideration comprising of:
 - o The transfer of the entities owned by the Company which hold the Escrowed Sum;
 - o Payment of a cash deposit amount of US\$10.00 million; and
 - o Payment of a final cash amount of US\$7.10 million.

(together referred to as the 'Purchase Consideration').

The pro-forma statement of financial position reflects the following events that have occurred subsequent to the period ended 31 August 2014 that relate to Quangas and its wholly owned subsidiary PEI:

- On 25 August 2014, PEI and Rock Energy Tech Ltd entered into a US\$1 million Loan Agreement which was fully drawn down by PEI in September 2014. Rock Energy Tech Ltd assigned this loan to Gain Diligence Ltd and this loan will be assigned to FeOre under completion of the Acquisition;
- On 30 October 2014, PEI and Wide Angle Energy Ltd entered into a US\$4 million Loan Agreement which was fully drawn down by PEI in November 2014. Wide Angle Energy Ltd assigned this loan to Gain Diligence Ltd and this loan will be assigned to FeOre under completion of the Acquisition;
- Between 1 September 2014 and 31 October 2014, Orion Energy Technology Development Co., Ltd ('Orion Energy') undertook works in accordance with the Well Drilling Contract (signed in May 2014) with PEI which included the completion of drilling on 4 wells. The total amount payable to Orion Energy for these works was approximately US\$2.95 million. Under the Well Drilling Contract, PEI also paid Orion Energy approximately US\$500,000 during September 2014 relating to mobilisation costs. Of the total amount of US\$3,450 paid to Orion Energy an amount of US\$854,000 was recorded as other payables as at 31 August 2014. These amounts were both paid by PEI with funds provided from the loans above;
- During November 2014, PEI incurred costs totalling US\$108,000 under the Consultancy Service Contract (signed in December 2013) with Orion Energy which related to consulting service fees. This amount was recorded as other payables as at 31 August 2014. These amounts were paid by PEI in November 2014 with funds provided from the loans above;
- During November 2014, PEI entered into the Seismic Survey Service Contract with Orion Energy. Orion Energy undertook seismic surveying work during November 2014 in which PEI made an initial payment of US\$960,000;
- During November 2014, PEI incurred costs totalling US\$300,000 under the Technical Development Commission Contract (signed in February 2014) with Orion Energy. This amount was paid by PEI in November 2014 with funds provided from the loans above;
- During November 2014, PEI agreed with its shareholders to restructure its issued capital. This had the effect of reducing the contributed equity of PEI with a corresponding reduction on amounts due from shareholders;
- During January 2015, PEI paid an amount of US\$70,000 for work performed by Orion Energy under the Oil Extraction Contract; and
- The two Gain Diligence Ltd loans, totalling US\$5 million, will be assigned to FeOre under completion of the Acquisition. Therefore, on acquisition of Quangas this amount will be

eliminated upon consolidation as there will be a US\$5 million loan payable (borrowings) by Quangas and the corresponding amount receivable in FeOre.

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.

8. 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 30 June 2014, the subsequent events set out in section 7, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The issue of 100 million Shares at an offer price of A\$0.05 each to raise A\$5 million before costs based on the maximum subscription, or the issue of 70 million Shares at an offer price of A\$0.05 each to raise A\$3.5 million before costs based on the minimum subscription;
- Costs of the Offer are estimated to be A\$360,000 based on the maximum subscription or A\$328,000 based on the minimum subscription, which are to be offset against the contributed equity; and
- An exchange rate of US\$:A\$ of 1.2388 has been used.

9. Consent

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn.

10. Disclosures

BDO Corporate Finance (WA) Pty Ltd is the corporate advisory arm of BDO in Perth. Without modifying our conclusions, we draw attention to the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Neither BDO Corporate Finance (WA) Pty Ltd 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.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd



Adam Myers

Director

APPENDIX 1
FEORE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited for the year ended 30-Jun-14 US\$'000
Interest income		266
Other income		256
Expenses		
Administration costs		(1,961)
Income/(loss) before income tax from continuing operations		(1,439)
Income tax expense		-
Income/(loss) for the year from continuing operations		(1,439)
Discontinued operations		
Profit from discontinued operations		9,046
		7,607
Other comprehensive loss for the year		
Foreign currency translation		(122)
Total comprehensive income for the year		7,485

This statement of profit or loss and other comprehensive income shows the historical financial performance of Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 5. Past performance is not a guide to future performance.

APPENDIX 2

FEORE LIMITED

STATEMENT OF FINANCIAL POSITION

		FeOre	Quangas		Pro forma adjustments		Pro forma after Offer	
		Audited as at	Reviewed as at	Subsequent	A\$3.5 million	A\$5 million	A\$3.5 million	A\$5 million
	Notes	30-Jun-14	31-Aug-14	events				
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
CURRENT ASSETS								
Cash and cash equivalents	2	43,255	1	(41,798)	2,561	3,746	4,019	5,204
Amounts due from shareholder	3	-	9,610	(9,610)	-	-	-	-
Prepayments		-	3	-	-	-	3	3
TOTAL CURRENT ASSETS		43,255	9,614	(51,408)	2,561	3,746	4,022	5,207
NON CURRENT ASSETS								
Property, plant & equipment		-	69	-	-	-	69	69
Other receivables	4	4,742	-	(4,742)	-	-	-	-
Restricted cash	5	5,670	-	(5,670)	-	-	-	-
Exploration and evaluation assets	6	-	962	22,448	-	-	23,410	23,410
TOTAL NON CURRENT ASSETS		10,412	1,031	12,036	-	-	23,479	23,479
TOTAL ASSETS		53,667	10,645	(39,372)	2,561	3,746	27,501	28,686
CURRENT LIABILITIES								
Other payables	7	-	1,001	(962)	-	-	39	39
TOTAL CURRENT LIABILITIES		-	1,001	(962)	-	-	39	39
NON CURRENT LIABILITIES								
Loans		-	786	-	-	-	786	786
Borrowings	8	-	-	-	-	-	-	-
TOTAL NON CURRENT LIABILITIES		-	786	-	-	-	786	786
TOTAL LIABILITIES		-	1,787	(962)	-	-	825	825
NET ASSETS/(LIABILITIES)		53,667	8,858	(38,410)	2,561	3,746	26,676	27,861
EQUITY								
Contributed equity	9	52,600	9,598	(39,150)	2,561	3,746	25,609	26,794
Reserves	10	776	21	(21)	-	-	776	776
Retained earnings	11	291	(761)	761	-	-	291	291
TOTAL EQUITY		53,667	8,858	(38,410)	2,561	3,746	26,676	27,861

The pro-forma statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and 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 and the prior year financial information set out in Appendix 5.

APPENDIX 3

FEORE LIMITED

STATEMENT OF CHANGES IN EQUITY

		FeOre	Quangas					
		Audited for the	Reviewed as at	Subsequent	Pro forma adjustments	Pro forma after Offer		
		year ended 30-Jun-14	31-Aug-14	events	A\$3.5 million	A\$5 million	A\$3.5 million	A\$5 million
	Notes	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2013		(7,194)	-	-	-	-	(7,194)	(7,194)
<i>Comprehensive income for the period</i>								
Income/(Loss) for the period	11	7,485	(761)	761	-	-	7,485	7,485
Total comprehensive income for the period		291	(761)	761	-	-	291	291
<i>Transactions with equity holders in their capacity as equity holders</i>								
Contributed equity, net of transaction costs	9	52,600	9,598	(39,150)	2,561	3,746	25,609	26,794
Reserves	10	776	21	(21)	-	-	776	776
Total transactions with equity holders		53,376	9,619	(39,171)	2,561	3,746	26,385	27,570
Balance as at 30 June 2014		53,667	8,858	(38,410)	2,561	3,746	26,676	27,861

The above 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 and the prior year financial information set out in Appendix 5.

APPENDIX 4
FEORE LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

1. STATEMENT 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.

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 group's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

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 success of the fundraising under the Prospectus. 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 fundraising under the Prospectus be unsuccessful, 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.

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.

a) 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.

b) Business combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances, it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measure at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred.

c) 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.

d) Trade and other receivables

Trade receivables are recognised as the amount receivable and are due for settlement no more than 30 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.

e) 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.

f) 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.

g) 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.

h) 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 financial performance 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.

i) 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.

j) Exploration and evaluation costs

Direct and indirect costs attributable to finding the mineral resources are allocated to the exploration and evaluation assets. General and administrative costs that are not related directly to operational activities in the areas of interest have been expensed as incurred.

Exploration and evaluation assets are reclassified when technical feasibility and commercial viability has been established.

The exploration and evaluation assets are assessed against facts and circumstances to determine whether the carrying amount exceeds the recoverable amount. The facts and circumstances considered include whether the rights to explore are current, whether any area of interest has been removed from plans for substantive exploration, whether a decision has been taken to discontinue activities and whether data suggests that the carrying amounts are unlikely to be recovered from development or sale.

k) 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 financial performance. 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.

l) 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.

m) 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.

n) 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.

Share-based payments transactions

The Company provides benefits to employees (including directors) of the Company in the form of share options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the period from grant date to the date on which the relevant employees become fully entitled to the award ('vesting date'). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

o) Accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted.

Options

The fair value of options issued is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Recoverability of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

	Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 2. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	43,255	4,019	5,204
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of FeOre at 30 June 2014		43,255	43,255
Reviewed balance of Quangas at 31 August 2014		1	1
<i>Subsequent events:</i>			
Share buy back performed by FeOre on 1 July 2014		(29,552)	(29,552)
Receipt of receivables balance during January 2015		4,742	4,742
Funds received by PEI from Gain Diligence Loans		5,000	5,000
Payments to Orion Energy relating to Well Drilling Contract		(3,450)	(3,450)
Payments to Orion Energy relating to Consultancy Service Contract		(108)	(108)
Payments to Orion Energy relating to Seismic Survey Service Contract		(960)	(960)
Payments to Orion Energy relating to Technical Development Contract		(300)	(300)
Payments to Orion Energy relating to Oil Extraction Contract		(70)	(70)
Payment of cash deposit as Purchase Consideration		(10,000)	(10,000)
Payment of final cash amount as Purchase Consideration		(7,100)	(7,100)
		(41,798)	(41,798)
<i>Pro-forma adjustments:</i>			
Proceeds from shares issued pursuant to the Offer		2,825	4,036
Capital raising costs		(265)	(291)
		2,561	3,746
Pro-forma Balance		4,019	5,204

	Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 3. AMOUNTS DUE FROM SHAREHOLDERS			
Amounts due from shareholders	-	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of FeOre at 30 June 2014		-	-
Reviewed balance of Quangas at 31 August 2014		9,610	9,610
<i>Subsequent events:</i>			
Reduction in PEI share capital		(9,610)	(9,610)
		(9,610)	(9,610)
Pro-forma Balance		-	-

	Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 4. OTHER RECEIVABLES			
Other receivables	4,742	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of FeOre at 30 June 2014		4,742	4,742
Reviewed balance of Quangas at 31 August 2014		-	-
<i>Subsequent events:</i>			
Receipt of receivables balance during January 2015		(4,742)	(4,742)
Assignment of Gain Diligence loans to FeOre		5,000	5,000
Elimination of assigned Gain Diligence loans upon acquisition of Quangas		(5,000)	(5,000)
		(4,742)	(4,742)
Pro-forma Balance		-	-

	Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 5. RESTRICTED CASH			
Restricted cash	5,670	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of FeOre at 30 June 2014		5,670	5,670
Reviewed balance of Quangas at 31 August 2014		-	-
<i>Subsequent events:</i>			
Transfer of Escrow Sum as Purchase Consideration		(5,670)	(5,670)
		(5,670)	(5,670)
Pro-forma Balance		-	-

	Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 6. EXPLORATION AND EVALUATION ASSETS			
Exploration and evaluation assets	-	23,410	23,410
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of FeOre at 30 June 2014		-	-
Reviewed balance of Quangas at 31 August 2014		962	962
<i>Subsequent events:</i>			
Payments to Orion Energy relating to Well Drilling Contract		2,596	2,596
Payments to Orion Energy relating to Seismic Survey Service Contract		960	960
Payments to Orion Energy relating to Technical Development Contract		300	300
Payments to Orion Energy relating to Oil Extraction Contract		70	70
Fair value attributable to exploration assets acquired (Refer Note 12 for further details)		18,522	18,522
		22,448	22,448
Pro-forma Balance		23,410	23,410

	Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 7. OTHER PAYABLES			
Other payables	-	39	39
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of FeOre at 30 June 2014		-	-
Reviewed balance of Quangas at 31 August 2014		1,001	1,001
<i>Subsequent events:</i>			
Payments made to Orion Energy relating to Well Drilling Contract		(854)	(854)
Payments made to Orion Energy relating to Consultancy Service Contract		(108)	(108)
		(962)	(962)
Pro-forma Balance		39	39

	Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 8. BORROWINGS			
Borrowings	-	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of FeOre at 30 June 2014		-	-
Reviewed balance of Quangas at 31 August 2014		-	-
<i>Subsequent events:</i>			
Loans received by PEI from Gain Diligence		5,000	5,000
Gain Diligence loans assigned to FeOre and therefore eliminated upon acquisition of Quangas		(5,000)	(5,000)
		-	-
Pro-forma Balance		-	-

		Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 9. CONTRIBUTED EQUITY				
Contributed equity		52,600	25,609	26,794
	Number of shares (min)	Number of shares (full)	US\$'000	US\$'000
<i>Adjustments to arise at the pro-forma balance:</i>				
Audited balance of FeOre at 30 June 2014	529,110,001	529,110,001	52,600	52,600
Reviewed balance of Quangas at 31 August 2014	-	-	9,598	9,598
<i>Subsequent events:</i>				
Share buy back performed by FeOre on 1 July 2014	(416,753,871)	(416,753,871)	(29,552)	(29,552)
Reduction in PEI share capital	-	-	(9,610)	(9,610)
Elimination adjustment upon acquisition of Quangas	-	-	12	12
	(416,753,871)	(416,753,871)	(39,150)	(39,150)
<i>Pro-forma adjustments:</i>				
Proceeds from shares issued pursuant to the Offer	70,000,000	100,000,000	2,825	4,036
Capital raising costs	-	-	(265)	(291)
	70,000,000	100,000,000	2,561	3,746
Pro-forma Balance	182,356,130	212,356,130	25,609	26,794

	Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 10. RESERVES			
Reserves	776	776	776
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of FeOre at 30 June 2014		776	776
Reviewed balance of Quangas at 31 August 2014		21	21
<i>Subsequent events:</i>			
Elimination adjustment upon acquisition of Quangas		(21)	(21)
		(21)	(21)
Pro-forma Balance		776	776

	Audited 30-Jun-14 US\$'000	Pro-forma after Offer A\$3.5 million US\$'000	A\$5 million US\$'000
NOTE 11. RETAINED EARNINGS			
Retained earnings	291	291	291
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of FeOre at 30 June 2014		291	291
Reviewed balance of Quangas at 31 August 2014		(761)	(761)
<i>Subsequent events:</i>			
Elimination adjustment upon acquisition of Quangas		761	761
		761	761
Pro-forma Balance		291	291

12: ACQUISITION OF QUANGAS

A summary of the acquisition details with respect to the acquisition of the Quangas as included in our report is set out below. These details have been determined for the purposes of the pro-forma adjustments as at 30 June 2014 however will require re-determination as at the successful acquisition date which may result in changes to the values as disclosed below.

Details of the net assets acquired, purchase consideration and notional fair value attributable to the exploration and evaluation assets are as follows:

	Fair value US\$'000
Amounts due from shareholder	9,610
Prepayments	3
Exploration and evaluation assets	962
Property, plant & equipment	69
Other payables	(1,001)
Loans	(786)
Net identifiable assets of Quangas as at 31 August 2014	8,857
Subsequent event adjustments:	
Net movement in amounts due from shareholders	(9,610)
Net movement in other payables	962
Net movement in exploration and evaluation assets	3,926
Net identifiable assets acquired under the Acquisition	4,135
Purchase consideration comprises:	
Purchase consideration consisting of Escrowed Sum and Cash payment	22,770
Cash acquired at date of Acquisition	113
	22,657
Fair value attributable to exploration and evaluation assets acquired	18,522

NOTE 12: RELATED PARTY DISCLOSURES

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

NOTE 13: COMMITMENTS AND CONTINGENCIES

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

APPENDIX 5
FEORE LIMITED

HISTORICAL FINANCIAL INFORMATION

Historical Statement of Financial Position	Audited as at 30-Jun-13 US\$'000	Audited as at 30-Jun-12 US\$'000
CURRENT ASSETS		
Cash and cash equivalents	22,139	27,426
Other receivables	1,159	1,750
Other current assets	207	-
TOTAL CURRENT ASSETS	23,505	29,176
NON CURRENT ASSETS		
Property, plant & equipment	1,310	636
Exploration and evaluation assets	75,452	74,655
TOTAL NON CURRENT ASSETS	76,762	75,291
TOTAL ASSETS	100,267	104,467
CURRENT LIABILITIES		
Other payables	103	260
Financial liability	24,849	24,849
TOTAL CURRENT LIABILITIES	24,952	25,109
NON CURRENT LIABILITIES		
Deferred tax liability	18,014	18,014
TOTAL NON CURRENT LIABILITIES	18,014	18,014
TOTAL LIABILITIES	42,966	43,123
NET ASSETS	57,301	61,344
EQUITY		
Contributed equity	52,600	52,600
Reserves	766	814
Accumulated losses	(7,194)	(3,347)
PARENT EQUITY INTEREST	46,172	50,067
Non-controlling interest	11,129	11,277
TOTAL EQUITY	57,301	61,344

APPENDIX 5
FEORE LIMITED

HISTORICAL FINANCIAL INFORMATION

Historical Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-13	Audited for the year ended 30-Jun-12
	US\$'000	US\$'000
Interest income	741	539
Other income	-	5
Expenses		
Administration costs	(2,305)	(1,082)
Exchange loss	(2,302)	(419)
Share listing expense	-	(1,126)
Share based payments expense	-	(776)
Depreciation	(54)	(12)
Acquisition expenses	-	(533)
Other expenses	(63)	-
Income/(loss) before income tax from continuing operations	(3,983)	(3,404)
Income tax expense	-	-
Income/(loss) for the year from continuing operations	(3,983)	(3,404)
Other comprehensive loss for the year		
Foreign currency translation	(60)	48
Total comprehensive income/(loss) for the year	(4,043)	(3,356)

12 MATERIAL CONTRACTS

The following are summaries of the significant terms of the material agreements which relate to the business of the Company and the Transaction.

12.1 Material terms of the Acquisition

On 23 July 2014 the Company announced the terms upon which it had agreed to purchase Quangas Poly from Gain Diligence Limited. As announced on 20 January 2015, the Company and Seller have renegotiated certain terms of the acquisition and the assignment of all shareholder loans owed by Quangas Poly and its subsidiaries to the Seller.

The material terms of the MoU under which the Company will acquire Quangas Poly and shareholder loans are now as follows:

- (a) The purchase price is US\$17.1 million and the transfer of an entity owned by the Company which holds the Residual Asset. The purchase price includes a refundable deposit of US\$10 million payable to the Seller upon signing the MoU (which has been paid), with the balance to be paid at completion (through a cash payment of US\$7.1 million and the title transfer of the Residual Asset; which has a value of approximately US\$5.67 million).
- (b) Completion of the Acquisition is subject to and conditional upon the following being satisfied or waived by no later than 8 months from the date of the MoU (or such other date as the parties agree):
 - (i) The Company conducting legal, financial and technical due diligence enquiries with respect to Quangas Poly to its absolute discretion (this has been satisfied);
 - (ii) The Company conducting resource estimate enquiries with respect to Quangas Poly and/or its subsidiaries and their assets/projects (this has been satisfied);
 - (iii) The Company obtaining a Kyrgyzstan legal opinion confirming Quangas Poly's unencumbered title over its assets and the validity of all licences and permits held, whether directly or indirectly, in Kyrgyzstan, and or all material contracts signed by Quangas Poly (this has been satisfied);
 - (iv) The Company obtaining any shareholder, regulatory (including but not limited to the compliance with the Listing Rules) and other approvals required;
 - (v) The Company raising the minimum amount required through the issue of Shares to satisfy the re-admission requirements imposed by ASX or through any other means deemed appropriate by the Company for the purpose of paying the purchase price;

- (vi) all necessary third party consents being obtained, on terms satisfactory to the Company; and
- (vii) no material adverse change occurring to the Shares, Quangas Poly, or its businesses and assets.

(c) The Seller's obligations are guaranteed by its controller, Mr Zhang Shuming.

The outstanding cash component of the purchase price will be paid from the Company's existing cash reserves (approximately US\$7.38 million).

12.2 Co-Investment Agreement

PEI's interest in the Projects arises under the Co-Investment Agreement (also known as Contract No. 381), Addendum No. 316 and Agreement No. 328, the material terms of which are as follows:

- (a) The term of the agreement is 20 years from the date of its execution and can be prolonged upon agreement of the parties up to the complete drilling of the deposit and up to reach of 20 years by the last drilled well.
- (b) KNG and PEI will jointly conduct exploration work on the Susamur and Yizbaskent - Arash licence areas and conduct well drilling and well repair work on the Marleysu East Yizbaskent development area owned by KNG.
- (c) KNG will provide the exploration right of Susamur and Yizbaskent-Arash areas as per the licence granted by the Geology Agency.
- (d) Within the Marleysu - East Yizbaskent licence area, oil extraction may only be performed on layer III (with the exception that certain wells, with the prior consent of KNG, may be drilled to layer XIX). With the prior agreement of KNG, if the first stage drilling of 28 wells on layer I to layer XIX and product sharing has been completed, PEI has the rights to drill a further 28 wells, and the same arrangement follows at the completion of each stage of drilling.
- (e) PEI has the right to rejuvenate suspended and abandoned wells (i.e workover of wells) with the list of wells and sequence of workover being agreed by PEI and KNG.
- (f) PEI has the right to drill 3 wells within specific areas of Marleysu - East Yizbaskent oilfield to exploit oil within layer XIII, XIV and XVIII. The contract does not include natural gas operation. If natural gas is extracted within these layers, such natural gas shall not be exploited and the well will be sealed at such Layer or sub layer. PEI has the rights to continue to explore or to conduct oil testing on drilled wells for these layers from the lower layer to the higher layers (i.e layer III, V and VII) or to completely abandon such well.

- (g) KNG will assist in the preparation of relevant commencement of work documents or other permits for the purpose of completing the well drilling and exploration work.
- (h) PEI will invest financial and technical support for conducting exploration works and drilling of production wells on the first stage within 3 years. Upon achieving product sharing for the first stage, PEI will invest financial and technical support for conducting exploration works and drilling of production wells for the second stage (i.e. the next 28 exploitation wells) and the same arrangement follows at the completion of each stage of drilling.
- (i) PEI will conduct works pursuant to the following work program (**Work Program**):

2014	2015	2016
Drilling of 4 new wells (completed)	Drilling of 12 new wells	Drilling of 12 new wells

Since entering the Co-Investment Agreement, PEI has drilled 4 development wells in the Marleysu - East Yizbaskent block, and is complying with the Work Program. These wells are awaiting completion (which will allow for the extraction of any oil from these wells) with funds raised under the Offer to be used to finalise completion.

- (j) PEI is obliged to perform work in accordance with the Work Program for the initial 3 years and may perform work in addition to the Work Program and drill additional wells.
- (k) Work performed and wells drilled in addition to the Work Program shall constitute part of and be governed by the Co-Investment Agreement. Upon agreement, KNG shall allocate additional area for the purpose of commencing further co-investment.
- (l) Upon the expiry of the first 3 years Work Program, PEI will provide a work program for the next 3 years.
- (m) Any work procedure on implementation of cooperation terms not described in the Co-Investment Agreement shall be performed in accordance with Appendix 4 (Procedure of work on implementation of contract terms) which constitutes an integral part of the Co-Investment Agreement.
- (n) Anything done in relation to the maintenance of work by PEI or KNG will be considered as an investment on the part of such Party in proportion to its share of product.

- For personal use only
- (o) During the term of effect of the Co-Investment Agreement, PEI and KNG will be independently responsible for their own budgeted capital, out-of budget capital and non-taxable capital.
 - (p) Oil exploited shall be apportioned between KNG and PEI in the following manner:
 - (i) Oil extracted from Marleysu - East Yizbaskent oilfield, and Susamur and Yizbaskent-Arash exploration areas:
 - (A) New production wells: KNG 40% and PEI 60%;
 - (B) Abandoned and non-production wells: KNG 35% and PEI 65%;
 - (C) Rejuvenating non-production well or abandoned wells: KNG 60% and PEI 40%;
 - (D) Exploration wells drilled by PEI: KNG 30% and PEI 70% until the exploration works are completed. Subsequently, oil extracted from production wells drilled by PEI will be apportioned after determining oil reserves.
 - (ii) Oil extracted from new production wells in layers XIII, XIV and XVIII of Marleysu - East Yizbaskent oilfield:
 - (A) during first year of exploitation of each well: KNG 20% and PEI 80%
 - (B) starting from second year of exploitation of wells: KNG 55% and PEI 45%;
 - (iii) Production wells established and funded by PEI are divided into and belong: KNG 40% and PEI 60%.
 - (q) For the purpose of completing work, KNG will provide PEI necessary technical means and equipment (from existing production equipment) and PEI will compensate KNG.
 - (r) For the purpose of reclamation of disturbed land allocations, PEI will make monthly payments to the reclamation account of an amount according to the technical reclamation project, including all relevant taxes.
 - (s) If PEI uses KNG's storage, transportation and oil refinery plant services, PEI shall compensate KNG with a portion of PEI's shares of product (oil). The rate of compensation will be based on the current standard rate charged by KNG.
 - (t) If PEI fails to perform its obligations under the Co-Investment Agreement or perform work in accordance with the Work Program and is unable to provide reasons for such non-performance, KNG may unilaterally cease providing new wells for drilling. PEI retains the right to operate the drilled and repaired wells.

- (u) KNG may not allocate the areas covered in the Co-Investment Agreement to any other foreign companies during the performance of obligations under the Co-Investment Agreement.
- (v) PEI and KNG will use their best endeavors to resolve any disputes by negotiation. If agreement cannot be reached, the dispute will be dealt with by Kyrgyzstan judicial authorities.
- (w) PEI has paid KNG US\$100,000 to maintain oil extraction and crude oil transportation and to keep the electric network and roads in working order as prescribed by the Co-Investment Agreement.
- (x) The Co-Investment Agreement is governed by Kyrgyz Laws.

Further information on the Projects and the Co-Investment Agreement is set out in the Independent Legal Report, a copy of which is in section 9.

12.3 Engineering, procurement and construction contract

As set out at section 5.2 of this Prospectus, PEI has entered into the EPC Contract with Beijing Orion, an entity majority owned by Dr Yang, the Company's executive director, under which Beijing Orion will, through itself or its subsidiaries or its associated companies on behalf of PEI, perform all obligations under the Co-Investment Agreement. Beijing Orion Group Companies has so far provided drilling and development planning advices to PEI as well as other consultation and development planning services, mobilized drilling equipment and drilled 4 wells.

The material terms of the EPC Contract are as follows:

- (a) PEI and Beijing Orion Group Companies will enter into the necessary contracts so that Beijing Orion Group Companies will provide all necessary services and support for PEI to perform its obligations under the Co-Investment Agreement and fully exploit the licence areas the subject of the Co-Investment Agreement.
- (b) Beijing Orion Group Companies will be paid service fees at reasonable market rates and reimbursed all reasonable expenses incurred on behalf of PEI, with an independent expert resolving any disputes as to whether Beijing Orion Group Companies' rates or reimbursements are reasonable or at market rates.
- (c) Upon requiring specific services under a contract, PEI will enter into service specific contracts with Beijing Orion Group Companies, following which the parties will negotiate and agree the scope of works and service fee payable. The specific contract will have terms consistent with the EPC Contract.
- (d) PEI may terminate one or more of the contracts governed by the EPC Contract in accordance with the terms of the contracts and paying all reasonable demobilisation costs and unpaid amounts owing under the terminated contract.

- (e) PEI has the right to engage other third parties to perform service for individual operation of the Project.
- (f) The EPC Contract is governed by Chinese law.

12.4 Well Drilling Contract

PEI has entered into an oil well drilling contract dated 23 May 2014, First Supplement to Well Drilling Contract dated 10 August 2014 and Second Supplement to Well Drilling Contract dated 10 November 2014 (**Well Drilling Contract**) with Orion Energy Technology Development Co. Ltd (**Orion Energy**), a Beijing Orion Group Company, under which Orion Energy has agreed to drill 20 exploitation wells for the “Marleysu - East Yizbaskent” area. The work is to be completed on or before 31 December 2015. Under the Well Drilling Contract, Orion Energy will be paid US\$500,000 for mobilisation costs for the mobilisation of drilling equipment and a rate based on the actual depth drilled, calculated at US\$590/metre. Each well is expected to have a depth of 1,500m, and the total contract value is estimated to be US\$17.7m.

The material terms of the Well Drilling Contract are as follows:

- (a) Orion Energy shall mobilise the appropriate drill rigs to the site on or before 15 June 2014 (this has occurred);
- (b) Orion Energy shall commence the drilling of the first well on or before 20 June 2014 (this has occurred);
- (c) Orion Energy shall complete the drilling, logging testing and cementing of 20 wells on or before 31 December 2015 (to date 4 wells have been drilled);
- (d) PEI shall pay to Orion Energy a mobilisation cost of US\$500,000 within 10 days from the date of the Well Drilling Contract (this has occurred);
- (e) PEI shall pay to Orion Energy an initial deposit of US\$354,000, representing 40% of the expect fee payable for the drilling of the first well, within 5 days from the receipt of a payment demand note from Orion Energy after Orion Energy delivers a notice for the commencement of drilling of the first well to PEI (this has occurred);
- (f) PEI shall pay to Orion Energy the remaining of the Well Drilling Contract fees no later than the completion of the Well Drilling Contract;
- (g) Should the Well Drilling Contract be terminated by PEI, PEI shall pay to Orion Energy fees calculated based on the actual amount of work performed by Orion Energy prior to the termination of the Well Drilling Contract;
- (h) Orion Energy shall comply with the relevant health and environmental laws of Kyrgyzstan during the performance of the work described under the Well Drilling Contract; and
- (i) The Well Drilling Contract is governed by Kyrgyzstan law.

12.5 Other contracts with Beijing Orion

In addition to the Well Drilling Contract, PEI and Beijing Orion Group Companies have also entered into a 2D Seismic Survey Service Agreement dated 8 November 2014 (US\$2.4m), Exploration & Development Plan Service Agreement dated 26 February 2014 (US\$300,000, completed), Consultation & Project Analysis Service Agreement dated 22 November 2013 (US\$108,496, completed), Well Repair Service Agreement dated 30 September 2014 (US\$1.24m), and Oil Extraction Service Agreement dated 30 September 2014 (Oil Testing: US\$70,000/layer, Oil Extraction System Installation: US\$188,000 to US\$270,000 per well depending on depth of well, Oil Extraction Service: US\$100/ton of oil extracted prior to product sharing) (**Other Orion Group Contracts**). The Other Orion Group Contracts are governed by either Chinese or Kyrgyzstan law as applicable.

PEI, Orion Energy and Kyrgyzstan Geophysical Survey Company (an associated company of KNG) (contractor) have entered into a contract for Oil and Gas Exploration Borehole Geophysical Survey and Blasting and Perforating Operations dated 10 September 2014. This contract is governed by Kyrgyzstan law.

Beijing Orion is majority owned by Dr Yang, the Company's executive Director. The Company's other Directors consider the terms of each of the contracts entered into under the EPC Contract and contracts entered into in accordance with the EPC Contract (including the Well Drilling Contract) to be reasonable in the circumstances as if the parties were acting at arm's length.

12.6 Executive Service Agreement

The Company and Dr Yang and his consultancy entity are parties to an executive service agreement, the material terms of which are as follows:

- (a) Dr Yang's consultancy entity will be paid an annual salary of US\$250,000.
- (b) The agreement is for a term equal to Dr Yang's appointment as a Director.
- (c) The agreement is subject to the laws of New South Wales.

12.7 Non-Executive Service Agreement

The Company and Mr King are parties to a non-executive service agreement, the material terms are as follows:

- (a) Mr King's consultancy entity will be paid an annual salary of US\$150,000.
- (b) Mr King will be subject to retirement by rotation under the Company's Bye-laws.
- (c) The agreement is subject to the laws of New South Wales.

13 DETAILS OF THE PUBLIC OFFER

13.1 Shares offered for subscription under the Offer

By this Prospectus the Company offers for subscription up to 100,000,000 Shares to raise up to A\$5 million.

All Shares offered under this Prospectus will rank equally with existing Shares. The rights and liabilities of the Shares offered under this Prospectus are summarised at section 15.1.

The details of how to apply for Shares under the Offer are set out at section 13.4.

13.2 Conditions of the Offer, including Minimum Subscription

The Offer is conditional upon the following being satisfied:

- (a) Shareholders passing the following Resolutions at the Shareholders Meeting to be held on 13 February 2015 giving approval for:
 - (i) the Company to make a significant change to the nature and scale of the Company's activities; and
 - (ii) the Company to issue up to 100,000,000 Shares under the Offer.
- (b) Completion occurring;
- (c) the Company obtaining all necessary regulatory approvals and meeting all regulatory requirements as are required to give effect to the transactions contemplated by the Acquisition (including re-compliance with Chapters 1 and 2 of the Listing Rules of ASX on terms which the Company believes are capable of satisfaction acting reasonably); and
- (d) the Minimum Subscription under the Offer of A\$3.5 million being raised.

The Company will not issue any Shares pursuant to the Offer until these conditions are satisfied.

Should the above conditions not be reached within 4 months from the date of this Prospectus, the Company will either repay the application moneys to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and be repaid their application moneys. No interest will be paid on these moneys.

13.3 Opening and Closing Dates

The Opening Date of the Offer will be 12 February 2015 and the Closing Date will be 25 February 2015. The Directors reserve the right to close the Offer early or to extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

13.4 Application for Shares

Applicants should read this Prospectus in its entirety in order to make an informed decision on the prospects of the Company and the rights attaching to the Shares offered by this Prospectus before deciding to apply for Shares. If you do not understand this Prospectus you should consult your stockbroker, accountant or other professional adviser in order to satisfy yourself as to the contents of this Prospectus.

An Application for Shares can only be made on the Application Form contained at the back of this Prospectus. The Application Form must be completed in accordance with the instructions set out on the Application Form.

Applications must be for a minimum of 40,000 Shares (being minimum application moneys of A\$2,000), and thereafter in multiples of 4,000 Shares (A\$200).

The Application Form must be accompanied by a cheque in Australian dollars, for the full amount of your application moneys. Cheques must be made payable to **'FeOre Limited - Share Offer Account'** and should be crossed **'Not Negotiable'**.

Application Forms must not be circulated to prospective investors unless accompanied by a copy of this Prospectus.

Completed Application Forms and accompanying cheques must be received by no later than 5.00pm (AEDT) on the Closing Date by the Share Registry:

By Post to:
Computershare Investor Services Pty Limited GPO Box 2115 Melbourne VIC 3001

The Company reserves the right to extend the Offer or close the Offer early without notice. Applicants are therefore urged to lodge their Application Form as soon as possible.

An original, completed and lodged Application Form, together with a cheque for the application moneys, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon allotment of the Shares.

If the Application Form is not completed correctly, or if the accompanying payment of the application moneys is for the wrong amount, it may still be treated as valid. The Directors' decision as to whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the application moneys.

No brokerage or stamp duty is payable by Applicants in respect of Applications for Shares under this Prospectus.

13.5 Applicants outside Australia

The distribution of the Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. 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 to enable them to acquire Shares.

The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

13.6 Foreign selling restrictions

No action has been taken to register or qualify Shares that are subject to the Offer or otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

People's Republic of China

This Prospectus may not be circulated or distributed in the PRC and the Shares offered by this Prospectus have not been offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

The contents of this Prospectus have not been reviewed by any PRC regulatory authority.

You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

For the purpose of the paragraphs above, the PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

Hong Kong

This Prospectus has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO").

No action has been, and will not be, taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents

issued in connection with it. Accordingly, the Shares have not been and will not be offered, sold or traded in the Stock Exchange of Hong Kong by means of any document, other than:

- (a) to 'professional investors' (as defined in the SFO); or
- (b) in other circumstances that do not result in this Prospectus being a 'prospectus' (as defined in the Companies Ordinance) or that do not constitute an offer to the public of Hong Kong within the meaning of that ordinance.

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the SFO of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such Shares.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

13.7 Application money held in trust

All application moneys will be deposited into a separate bank account of the Company and held in trust for Applicants until the Shares are issued or application moneys returned. Any interest that accrues will be retained by the Company and will not be paid to Applicants.

13.8 Allocation and allotment of Shares

The Company reserves the right to reject any Application or to allocate to any Applicant fewer Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple applications in determining final allocations.

In the event an Application is not accepted or accepted in part only, the relevant portion of the application moneys will be returned to Applicants, without interest.

The Company reserves the right not to proceed with the Offer or any part of it at any time before the allocation of the Shares to Applicants. If the Offer or any part of it is cancelled, all application moneys, or the relevant application moneys will be refunded.

The Company also reserves the right to close the Offer or any part of it early, or extend the Offer or any part of it, or accept late Applications Forms either generally or in particular cases.

The allotment of Shares to Applicants will occur as soon as practicable after Application Forms and application moneys have been received for the minimum subscription of Shares being offered and all other conditions of the Transaction satisfied, following which statements of shareholding will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their statement of shareholding will do so at their own risk.

13.9 Re-compliance with Chapters 1 and 2 of the Listing Rules

The Company is currently admitted to the Official List. If Shareholders approve a change in the nature and scale of the Company's activities at the special general meeting of the Company scheduled for 13 February 2015, the Company's Shares will be suspended from quotation from that date, and will not be reinstated until the Company has satisfied the Conditions of the Offer, including re-compliance with Chapters 1 and 2 of the Listing Rules.

The Company will apply to the ASX within 7 days after the date of this Prospectus for official quotation of the Shares offered by this Prospectus on ASX. If ASX does not grant permission for the quotation of the Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all Applications will be dealt with in accordance with the applicable law including the return of all application moneys without interest.

Neither ASX nor ASIC take responsibility for the contents of this Prospectus. A decision by ASX to grant official quotation of the Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company or of the Shares. ASX and its officers take no responsibility as to the contents of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from or in reliance upon any part of the content of this Prospectus. Quotation, if granted, of the Shares offered by this Prospectus will commence as soon as practicable after statements of holdings of the Shares are dispatched.

13.10 CHESS

The Company participates in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement Pty Ltd (ASPL), a wholly owned subsidiary of ASX.

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

13.11 Restricted securities

The ASX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, Directors, other related parties and promoters may receive escrow on securities held by them for up to 24 months from the date of quotation of the Company's Shares on ASX.

None of the Shares offered under the Offer will be treated as restricted securities and will be freely transferable from their date of allotment.

14 BERMUDA COMPANY LAW AND KEY DIFFERENCES WITH AUSTRALIAN LAW

As the Company is not incorporated in Australia, its general corporate activities (apart from the offering of securities in Australia) are not regulated by the *Corporations Act 2001* of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by (among other things) its Bye-laws and the Bermuda Companies Act and the Bermuda Monetary Authority (BMA). The Company operates subject to Bermuda law and, in particular, is not subject to important aspects of Australian company law. The Company has been designated by the BMA as non-resident for Bermuda exchange control purposes.

Set out below is a summary of relevant Bermuda company law. It is important to note that this summary does not purport to:

- (a) be a complete review of all matters of Bermuda company law and taxation; or
- (b) highlight all provisions that may differ from equivalent provisions in Australia.

14.1 Applicable Company Law

Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in Australia.

A table summarising key differences between Australian and Bermuda company laws is set out below.

(a) Share Capital

The Bermuda Companies Act provides that where a company issues shares for a consideration above the par value of the shares, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares must be transferred to an account (Share Premium Account) to which the provisions of the Bermuda Companies Act relating to a reduction of share capital of a company shall apply as if the Share Premium Account were paid up share capital of the company except that the Share Premium Account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares; or
- (ii) in writing off:
 - (A) the preliminary expenses of the company; or
 - (B) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares, the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Bermuda Companies Act permits a company to issue preference shares. The Bermuda Companies Act also allows the conversion of preference shares into redeemable preference shares (subject to conditions set out in the Bermuda Companies Act).

The Bermuda Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws of a company authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required. The holders of not less in the aggregate than 10% of the issued shares of that class may apply to a Bermuda court to have the variation cancelled and, where such application is made, the variation shall not have effect unless and until it is confirmed by the court.

Where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing in those documents precludes a variation of such rights, the rights attached to any class of shares may, unless otherwise provided by the terms of issue of that class, be varied with the written consent of the holders of three fourths of the issued shares of that class or the sanction of a resolution passed as previously stated.

(b) Membership

Under the Bermuda Companies Act, only those persons who agree to become members of a Bermuda company and whose names are entered on the register of members of such a company are considered members. A Bermuda company is also not bound to see to the execution of any trust, whether express, implied or constructive, to which any of its shares are subject and whether or not the company had notice of such trust. Accordingly, persons holding shares through a trustee, nominee or depository will not be recognised as members of a Bermuda company under Bermuda law and may only have the benefit of rights attaching to the shares or remedies conferred by law on members through or with the assistance of the trustee, nominee or depository.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Shares repurchased may be cancelled or held as treasury shares.

Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the Share Premium Account. Any amount due to a shareholder on a purchase by a company of its own shares may:

- (i) be paid in cash;
- (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or
- (iii) be satisfied partly under sections 14.1(c)(i) and 14.1(c)(ii) above.

Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled (in which event, the company's issued, but not its authorised, capital will be diminished accordingly) or may be held as treasury shares. Under the laws of Bermuda, if a company holds shares as treasury shares, the company shall be entered in the register of members as the member holding the shares but the company is not permitted to exercise any rights in respect of those shares and no dividend or other distribution (whether in cash or otherwise) shall be paid or made to the company in respect of such shares.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Bermuda law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Bermuda Companies Act.

(d) Takeovers

There are presently no Bermuda laws or regulations of general application which will require persons who acquire significant holdings in a company's shares to make takeover offers for those shares or to notify the company.

(e) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Bermuda Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(f) Protection of minorities

Under Bermuda law, members of a company are entitled to have the affairs of the company conducted in accordance with general law and in particular with the company's memorandum of association and bye-laws.

Under the general rule known as the rule in *Foss v Harbottle*, which is recognised in Bermuda, a court will generally refuse to interfere in the management of a company at the instance of a minority of its members who are dissatisfied with the conduct of the company's affairs by the majority or by the board of directors. The fundamental proposition of Bermuda law is that a minority member cannot sue for a wrong done to the company or bring proceedings to rectify an internal irregularity in circumstances where the majority can lawfully ratify the same.

Every member is, however, entitled to have the affairs of the company conducted properly according to law. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's memorandum of association or bye-laws, the court will grant relief. In general, the exceptions to the *Foss v Harbottle* rule are as follows:

- (i) the act complained of is ultra vires or illegal and not capable of ratification by the majority;
- (ii) the act complained of constitutes a fraud on the minority where the wrongdoers control the company;

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- (iii) the act complained of constitutes an infringement of individual rights of members, such as the right to vote, pre-emption rights, etc; and
 - (iv) where the company has not complied with provisions requiring that the relevant act be approved by a special or extraordinary majority of the members.

Where the act complained of is not ultra vires or illegal then a member cannot take action himself because it is an action which is capable of ratification by a majority of the members. However, if the claim by the members is that the directors have carried out an act which is ultra vires or illegal, then the member has a right of action on behalf of himself and others to sue the directors with any damages awarded going to the company itself.

Where the perpetrators of the act which constitutes the fraud against the minority are themselves in control of the company or where a resolution which requires a special or extraordinary majority has only been passed with a simple majority, it is open to the aggrieved member to take an action in his own name. While it is generally for the company to bring action against its directors for wrong doing, it is recognised that the company may be prevented from doing so where the wrongdoers have effective control of the company.

Any member of a company is entitled to complain that the affairs of the company are being conducted or have been conducted in a manner oppressive or unfairly prejudicial to the interests of the members or some number of them, and petition the Bermuda court to seek either a winding-up order or an alternative remedy if a winding-up order would be unfairly prejudicial to them. In considering whether to wind up a company, the Bermuda court will consider whether it is “just and equitable” to do so.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of loss or damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its members, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Bermuda Companies Act also provides that the Minister may at any time appoint one or more inspectors to investigate the affairs of an exempted company and to report on the affairs in such manner as the Minister may

direct. The inspector shall, on the completion of his investigation, report to the Minister and shall send copies of such reports to the company. However, no other person shall be informed of the nature or contents of the report save at the request of the company or on the direction of the Minister. Upon examining the inspector's report, the Minister may require the company to take such measures as he may consider necessary in relation to its affairs or direct the Registrar of Companies in Bermuda to petition the Bermuda court for the winding up of the company.

(g) Accounting and auditing requirements

The Bermuda Companies Act requires a company to cause proper records of account to be kept with respect to:

- (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (ii) all sales and purchases of goods by the company; and
- (iii) the assets and liabilities of the company.

Furthermore, it requires a company to keep its records of account at the registered office of the company or at such other place as the directors think fit and such records must at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there must be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange (as defined in the Bermuda Companies Act and includes the ASX), there must be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Bermuda Companies Act requires that the directors of the company must, at such intervals and for such period as the Bermuda Companies Act and bye-laws of the company provide, lay before the company in general meeting financial statements for the relevant accounting period signed on the balance sheet page by a director of the company. However, this requirement may be waived if all of the members and all of the directors, either in writing or at a general meeting, agree that in respect of a particular interval no financial statements or auditor's report will need be laid before a general meeting. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report

to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister under the Bermuda Companies Act. Where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor must identify the generally accepted auditing standards used. Subject to certain exceptions provided in the Bermuda Companies Act, the company must send to every member a copy of financial statements, prepared in accordance with generally accepted accounting principles and containing all such information and documents as required by the Bermuda Companies Act (Financial Statements) at least five days before the general meeting of the company at which the Financial Statements are to be tabled.

A company listed on an appointed stock exchange such as the ASX may send to its members summarised financial statements derived from the Financial Statements for the relevant period instead of the Financial Statements. The summarised financial statements must include a summarised report of the Financial Statements and be accompanied by the auditor's report. The summarised financial statements must be sent to members not less than 21 days before the general meeting at which the Financial Statements are to be tabled, and a copy of the summarised financial statements must be made available for inspection by the public at the company's registered office in Bermuda. The company must also make a copy of the full Financial Statements available for inspection by the public at the company's registered office. Summarised financial statements must be accompanied by a notice informing members how they may elect to receive the company's Financial Statements.

(h) Auditors

At the statutory meeting of a company, the members must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the members and all of the directors, either in writing or at a general meeting, agree that no auditor shall be appointed to hold office.

A person, other than an incumbent auditor, is not capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice to the members not less than seven days before the general meeting. An incumbent auditor may, however, by notice in writing to the company secretary waive the foregoing requirements.

An auditor appointed to replace another auditor must, before accepting the appointment or consenting to be appointed, seek from the former auditor a

written statement as to the circumstances of the latter's replacement. If the former auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the former auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned or been removed, or whose term of office has expired or is about to expire, or who has vacated office, is entitled to attend the general meeting of the company at which the auditor is to be removed or the auditor's successor is to be appointed, to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive, and to be heard at that meeting on any part of the business of the meeting that relates to its duties as auditor or former auditor.

(i) Management

The Bermuda Companies Act contains no specific restriction on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his or her powers and discharging his or her duties, must act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Bermuda Companies Act requires that every officer should comply with the Bermuda Companies Act, regulations passed pursuant to the Bermuda Companies Act and the bye-laws of the company.

The Bermuda Companies Act contains no specific provision in respect of the establishment or composition of audit committees or similar committees of the board of directors of a company.

(j) Exchange control and BMA Approval

Exchange control is operated under the *Exchange Control Act 1972* of Bermuda (and the regulations made under that statute) and is administered by the BMA. Generally, any payment by a person resident in Bermuda to or for the credit of a person resident outside Bermuda will require prior approval from the BMA.

Exempted companies are normally designated non-resident for exchange control purposes and are able to conduct their day to day operations free of exchange control formalities. Such companies are able to pay dividends, distribute capital, open and maintain bank accounts in any foreign currency and to acquire assets and meet all liabilities without reference to the BMA.

Issues and transfers of securities in exempted companies involving non-residents for exchange control purposes must receive prior approval from the BMA. However, the BMA has granted to all Bermuda companies with voting shares listed on an appointed stock exchange (which includes the

ASX) a general permission for the issue and subsequent transfer of any securities of such companies from and/or to a non-resident of Bermuda for so long as any voting shares of such companies remain so listed.

(k) Enforcement of judgments in Bermuda

The current position with regard to enforcement of judgments in Bermuda is set out below but this may be subject to change.

A final and conclusive judgment in the superior courts of the Australian courts against the Company under which a sum of money is payable (not being in respect of multiple damages, or a fine, penalty, tax or other charge of similar nature) would, on registration in accordance with the provisions of *The Judgments (Reciprocal Enforcement) Act 1958* be enforceable in the Supreme Court of Bermuda against the Company without the necessity of any retrial of the issues subject of such judgment or any re-examination of the underlying claims; however, where such foreign judgment is expressed in a currency other than Bermuda dollars the registration will involve the conversion of the judgment debt into Bermuda dollars on the basis of the exchange rate prevailing at the date of such judgment as is equivalent to the judgment sum payable. The present policy of the BMA is to give consent for the Bermuda dollar award made by the Supreme Court of Bermuda to be paid in the original judgment currency.

(l) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, or any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company, such as the Company, or its operations, and there is no Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda.

Furthermore, a company may apply to the Minister for an assurance, under the *Exempted Undertakings Tax Protection Act 1966* of Bermuda, that no such taxes shall be so applicable to it or any of its operations until 31 March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda. The Company applied for such assurance, which was granted by the Minister on 8 August 2011.

(m) Stamp duty

An exempted company, such as the Company, is exempt from all stamp duties except on transactions involving 'Bermuda property'. This term relates, essentially, to real and personal property physically situated in

Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(n) Loans to directors

Bermuda law prohibits a company from:

- (i) making loans to any of its directors (or any directors of its holding company) or to their spouse or children or to companies (other than a company which is a holding company or a subsidiary of the company making the loan) in which they own or control directly or indirectly more than a 20% interest; or
- (ii) entering into any guarantee or providing any security in connection with a loan made to such persons as stated in section 14.1(n)(i) above by any other person, without the consent of any member or members holding in aggregate not less than nine tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company.

These prohibitions do not apply to anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan, guarantee or security is made or given on condition that it will be repaid or discharged, as the case may be, within six months from the conclusion of the next following annual general meeting if the loan, guarantee or security is not approved at or before such meeting (or, in the case of a company that has made an election to dispense with the holding of annual general meetings, at or before the next general meeting, which must be convened within 12 months of the authorisation of the making of the loan, or the entering into of the guarantee or the provision of the security). If the approval of the company is not given for the loan, guarantee or security, the directors who authorised it will be jointly and severally liable to indemnify the company for any loss arising from it.

(o) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies, which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of a company have the additional right to inspect the bye-laws of the company, the register of members of the Company, the minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a

company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day.

Except when the register of members is closed under the provisions of the Bermuda Companies Act, the register of members of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the general public without charge. A company may on giving notice by advertisement in an appointed newspaper close the register of members for any time or times not exceeding in the whole 30 days in a year. A company is required to maintain its register of members in Bermuda but may, subject to the provisions of the Bermuda Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any member of the public may require a copy of the register of members or any part of the register which must be provided within 14 days of a request on payment of the appropriate fee prescribed in the Bermuda Companies Act. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office in Bermuda and such register must during business hours (subject to such reasonable restrictions as the company may impose, so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the public without charge. Any member of the public may require a copy of the register of directors and officers, or any part of it, on payment of the appropriate fee prescribed in the Bermuda Companies Act.

Where a company, the shares of which are listed on an appointed stock exchange such as the ASX, sends its summarised financial statements to its members pursuant to section 87A of the Bermuda Companies Act, a copy of the full financial statements (as well as the summarised financial statements) must be made available for inspection by the public at the company's registered office in Bermuda.

(p) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributories. The Bermuda court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator the responsibility for the company's affairs rests entirely in the liquidator's hands and no future executive action may be carried out without the liquidator's approval.

Where on a voluntary winding up a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made the winding up will be a creditors' voluntary winding up. In the case of a members' voluntary winding up of a company the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full in the period stated in the directors' declaration of solvency, the liquidator is obliged to summon a meeting of creditors and lay before the meeting a statement of the assets and liabilities of the company.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of showing and explaining the account. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned for the day, or the next day following the day on which the meeting of the members at which the resolution for voluntary winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions. The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors and the members nominate different persons, the person nominated by the creditors shall be the liquidator. If no person is nominated by the creditors, the person (if any) nominated by the company shall be the liquidator. The creditors at the creditors'

meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year and must lay before such meetings an account of the liquidator's acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purpose of showing and explaining the account. This meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

Within one week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator is required to send to the Bermuda Registrar of Companies a copy of the account and make a return in accordance with the Bermuda Companies Act. The company will be deemed to be dissolved on the expiration of three months from the registration by the Bermuda Registrar of Companies of the account and the return. However, a Bermuda court may, on the application of the liquidator or of some other person, who appears to the court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court thinks fit.

14.2 Key differences between Australian and Bermuda company laws as they apply to the Company

Set out below is a table summarising some of the key differences between Australian and Bermuda company laws as they apply to the Company.

It is important to note that this summary does not purport to:

- (a) be a complete review of all matters of Bermuda company law and taxation;
or
- (b) highlight all provisions that may differ from equivalent provisions in Australia.

Australia	Bermuda
Takeovers	
Substantial holder notice requirements and 20% limit.	No equivalent substantial holder notice or 20% limit. However, the Company may be required to disclose changes in substantial holdings of which it is aware in accordance with its continuous disclosure obligations under the Act and the Listing Rules.
Compulsory acquisition permitted by holders of 90% or more of shares.	Compulsory acquisition permitted: • where a scheme or contract involving the transfer of shares in a company to another company (in this item referred to as ‘transferee company’), has, within four months after the making of the offer by the transferee company, been approved by the holders of not less than 90% in value of the shares whose transfer is involved, other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary; and • where holders of 95% or more of shares give notice to the remaining shareholders of the intention to acquire their shares on the terms set out in the notice.
Related party transactions	
The Act regulates the provision of financial benefits to related parties of "public companies".	The Bermuda Companies Act does not contain provisions to this effect. The Company will, however, be required to comply with the requirements of the Listing Rules in respect of related party transactions.

Australia	Bermuda
Protection of minorities	
The Act has various provisions allowing for application for a court order for oppressive conduct of a company's affairs, allowing for derivative actions and permitting the inspection of a company's books. A winding up may also be sought on just and equitable grounds.	Bermuda law has comparably wide statutory oppression and just and equitable winding up actions. Class actions and derivative actions are, in some circumstances, available to members under Bermuda law.
Filing of documents/access to information	
The Act requires a corporation to file various documents with ASIC, including its accounts and notification of changes to its constitution. Documents filed with ASIC are available to the public. The Act also provides for a statutory right to apply to a court for an order permitting the member to inspect the books of a company.	Although the Company is required to comply with the Australian obligations as a foreign company registered in Australia and may also be required to disclose such information to ASX under disclosure requirements of the Act and the Listing Rules, the Company is not subject to orders under the Act permitting a member to inspect its books. The Bermuda Companies Act requires a company to file certain documents with the Bermuda Registrar of Companies, including an increase in authorised share capital, a company's memorandum of association (including its objects and powers) and any alteration thereto. Members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association.

Australia	Bermuda
	The members of a company have the right to inspect the bye-laws of the company, the register of members of the company, the minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. The register of members and the register of directors and officers of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the general public without charge.
Notice of meetings	
The Act requires at least 28 days' notice of a general meeting of a listed company.	The Bermuda Companies Act requires at least five days' notice of a general meeting.
Removal of directors	
The Act contains various provisions regarding resignation, removal and retirement of directors. The Act provides that a director may be removed by resolution at a general meeting, subject to a company receiving at least two months' notice of the intention to move the resolution and the company notifying the relevant director as soon as possible after receiving notice of that intention. The director is entitled to put their case to members.	The Bermuda Companies Act provides that subject to a company's bye-laws, the members of a company may, at a special general meeting called for that purpose, remove a director. Notice of such meeting must be served on the director at least 14 days before the meeting and the director shall be entitled to be heard at the meeting.
Directors' duties	

Australia	Bermuda
The Act contains a number of statutory duties which are imposed on directors, including the duty of due care and diligence, good faith and avoidance of improper use of position or information.	The Bermuda Companies Act provides for comparable duties, being duties to act honestly and in good faith with a view to the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
Right to request or requisition a meeting of security holders	
The Act provides that members with at least 5% of the votes that may be cast at a general meeting; or at least 100 members who are entitled to vote at a general meeting may request a general meeting. The meeting must be called within 21 days after the request is given to the Company and the meeting must be held not later than 2 months after the request.	The Bermuda Companies Act provides that members holding not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company have the right to requisition a special general meeting for the transaction of any business specified in the requisition. If the directors do not convene such meeting within 21 days of the requisition, the requisitioning members (or those with 50% of their votes) may do so. Any meeting so convened shall not be held after 3 months from the requisition date.
Appointment of proxies	
The Act provides that a member of a company entitled to attend and cast a vote at a meeting of members may appoint a person as the member's proxy to attend and vote for the member at the meeting.	The Bermuda Companies Act provides that votes may be given in person or by proxy. The Company's bye-laws provide for the right of a shareholder to appoint proxies to attend and vote at meetings on their behalf.
Rights of security holders to bring or intervene in legal proceedings on behalf of the entity	
The Act provides that a member, former member, or person entitled to be registered as a member of the company, may	No equivalent provision in the Companies Act or in the

Australia	Bermuda
with the leave of the court, bring proceedings on behalf of a company, or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for those proceedings, or a particular step in those proceedings, such as compromising or settling them.	Company's bye-laws. Class actions and derivative actions are, in some circumstances, available to members under Bermuda law.
"Two Strikes" rule	
The Act contains a "two strikes" rule in relation to remuneration reports which provides shareholders with a mechanism for forcing a board spill. If 25% of shareholders at a company's AGM vote against the company's remuneration report the first time, and 25% of shareholders vote against the company's remuneration report at the following year's AGM and at least 50% of shareholders present at the meeting vote for a board spill, directors must face re-election within 90 days.	No equivalent "two strikes rule" provision in the Bermuda Companies Act.

Where it is noted in the table above that Bermuda company law contains comparable provisions to those existing under Australian law, it is emphasised that the summary table only attempts to provide general guidance, and that the detailed provisions may contain differences (including as to the availability of the cause of action), and may also be subject to differing interpretation by Australian and Bermuda courts.

15 RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

15.1 Shares

A summary of the key rights attaching to the Shares is set out below. This summary is not intended to be exhaustive and does not constitute a definitive statement of the rights, liabilities and restrictions attaching to the Shares. To obtain such a statement, Applicants should seek independent legal advice.

(a) Summary of the Bye-laws and Shares

The rights attaching to the Shares are:

- (i) set out in the Bye-laws; and
- (ii) in certain circumstances, regulated by the Bermuda Companies Act, the Listing Rules, the ASX Settlement Operating Rules and general law.

The key provisions of the Bye-laws and the principal rights and obligations of Shareholders are summarised in this section.

(b) Voting

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (unless the Shareholder appoints more than one proxy or attorney, in which case those proxies and/or attorneys may only vote on a poll and not on a show of hands) and one vote on a poll for each Share held (with adjusted voting rights for partly paid shares). Where there are two or more joint holders of a share and more than one joint holder tenders a vote, the vote of the holder named first in the register who tenders the vote (whether in person or by proxy) will be accepted to the exclusion of the votes of the other joint holders. Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded (or required by ASX). A poll may be demanded by at least three Shareholders present in person or by proxy or representative and entitled to vote at the meeting, by Shareholders present in person or by proxy or representative with not less than one tenth of the total voting rights of all Shareholders having the right to vote at the meeting, by Shareholders present in person or by proxy or representative and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right, or by the chairman of the meeting. If votes are equal on a proposed resolution, the chairman of the meeting has a second or casting vote, in addition to any other vote he may have, on either a show of hands or a poll.

(c) Share capital

The authorised share capital of the Company is currently US\$10,000,000 divided into 1,000,000,000,000 shares with a par value of US\$0.00001 each.

(d) Issue of further Shares

Subject to the Bye-laws, the Listing Rules and the Bermuda Companies Act, the Board may issue, grant options in respect of, or otherwise dispose of unissued Shares on such terms and conditions (including dividing the Shares into such classes with preferential, deferred or special rights, privileges or conditions or restrictions attached thereto) as they see fit, but so that no shares are issued at a discount to par value.

(e) Dividends

Subject to the Bermuda Companies Act and the Bye-laws, the Board may from time to time declare a dividend or make such other distributions to the Shareholders as may be lawfully made out of the assets of the Company.

Subject to the rights attaching to Shares or their terms of issue, all dividends will be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. All dividends will be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

(f) Variation of class rights

Subject to the Bermuda Companies Act and their terms of issue, the rights attaching to any class of shares may be varied with the written consent of the holders of 75% in nominal value of the issued shares of the relevant class of shares, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

Unless otherwise expressly provided in the rights attaching to or the terms of issue of any shares or class of shares, the creation or issue of further shares ranking equally with those shares or that class of shares is not a variation of class rights.

(g) Transfer of shares

Subject to the Bye-laws, Shareholders may transfer their Shares by a written instrument of transfer in the usual or common form or any form approved by the Board or by a proper transfer effected in accordance with the ASX Settlement Operating Rules and ASX requirements. All transfers must comply with the Listing Rules and the ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares in specific circumstances (as identified in the Bye-laws), including in circumstances permitted by the Listing Rules. The Board must refuse to register a transfer

of shares where required to do so by the Listing Rules or the ASX Settlement Operating Rules. The Board may suspend the registration of a transfer at any time, and for any period, as permitted by the Bermuda Companies Act, the Listing Rules and the ASX Settlement Operating Rules as it decides.

The Company may purchase its own shares for cancellation or acquire them as treasury shares in accordance with the Bermuda Companies Act on such terms as the Board thinks fit.

(h) General meeting and notices

Subject to the Bermuda Companies Act, the Listing Rules and the Bye-laws, Shareholders are entitled to receive notice of, attend and vote at general meetings of the Company and to receive notices, accounts and other documents required to be sent to members under the Bye-laws or the Bermuda Companies Act. An annual general meeting and any special general meeting at which the passing of a special resolution is considered requires not less than 21 clear days' notice. All other special general meetings require not less than 14 clear days' notice. However, shorter notice can be provided in certain circumstances as set out in the Bye-laws.

(i) Winding up

Subject to the Bermuda Companies Act, the Bye-laws and any rights or restrictions attaching to any class or classes of shares, Shareholders will be entitled on a winding up to a share in any surplus assets of the Company in proportion to the number of Shares held by them, regardless of the amount paid or credited as paid on the Shares.

(j) Directors - appointment and removal

The minimum number of Directors is three and the maximum is to be fixed by the Directors but may not be more than nine unless the Company in general meeting determines otherwise. Directors are elected in the first place at the statutory meeting of the shareholders and after that, the Company may by ordinary resolution appoint any person to be a Director (either as an additional Director or to fill a casual vacancy).

No Director may hold office for a period greater than three years or beyond the third annual general meeting following the Director's election, whichever is longer, without submitting himself or herself for re-election. At every annual general meeting, one third of the previously elected Directors (or if the number is not a multiple of three, the number nearest to but not exceeding one third) must retire from office and are eligible for re-election. These requirements do not apply to the managing Director.

The Directors may also appoint a Director to fill a casual vacancy on the Board or, if authorised by the Shareholders, in addition to the existing

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Directors, who will then hold office until the next annual general meeting of the Company.

(k) Directors - remuneration

The ordinary remuneration of the Directors shall from time to time be determined as the Board decides, but the total amount provided to all Directors, other than the managing Director and any executive Director, for their services as directors shall not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. The current maximum aggregate sum approved by Shareholders is US\$600,000 per annum. Any change to that aggregate sum needs to be approved by the Shareholders.

The Bye-laws also provide for the Company to pay all expenses of Directors reasonably incurred in attending meetings and carrying out their duties. Remuneration of the managing Director or an executive Director shall be the amount that the Directors decide. The Company may also pay a Director extra remuneration if, in the opinion of the Board, the Director performs services which go beyond the ordinary duties of a Director.

A Director appointed to be managing Director (or a person holding an equivalent position, or a deputy or joint managing director position) or to hold any other employment or executive office with the Company may receive such remuneration and such other benefits and allowances as the Board may from time to time determine, either in addition to or in lieu of such person's remuneration as a Director.

(l) Powers and duties of Directors

The Board may exercise all powers of the Company that are not expressly required by the Bermuda Companies Act, any other applicable law of Bermuda or the Bye-laws to be exercised by the Company in general meeting.

(m) Directors - voting

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.

(n) Capitalisation of profits

Subject to the Bermuda Companies Act, the Bye-laws, the Listing Rules, any rights or restrictions attached to any shares or class of shares and any resolution of the Company, upon the recommendation of the Board, the Company may pass an ordinary resolution to capitalise and distribute profits or other amounts available for distribution among those Shareholders who

would be entitled to receive dividends and in the same proportions, on the basis that the same is not paid in cash but is applied either towards paying up the amounts for the time being unpaid on any Shares held by the Shareholders or in paying up in full unissued securities of the Company in accordance with the Bye-laws.

(o) Preference shares

The Company may, subject to the Bermuda Companies Act, issue preference shares including preference shares which are liable to be redeemed or converted into shares that are liable to be redeemed on such terms as the Board may determine. The rights attaching to preference shares are those set out in the Bye-laws.

(p) Directors' and officers' indemnity and insurance

The Company indemnifies each of the Directors, secretary and other officers and every auditor for the time being of the Company from and against all actions, costs, charges, losses, damages and expenses (including legal expenses) which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts. The indemnity does not extend to any matter in respect of any fraud or dishonesty which may attach to any of the indemnified persons.

To the extent permitted by the Bermuda Companies Act, the Company may pay or agree to pay a premium for a contract insuring the Directors, the secretary and other officers of the Company against legal costs and a liability incurred by that person as an officer of the Company (or of a subsidiary of the Company).

To the extent permitted by the Bermuda Companies Act, the Company may enter into an agreement or deed with a Director, secretary or other officer of the Company or a person who is, or has been, an officer of a subsidiary, under which the Company must do all or any of the following:

- (i) keep books of the Company and allow either (or both) that person and that person's advisers access to such books on the terms agreed;
- (ii) indemnify that person against any liability incurred by that person as an officer of the Company or an officer of a subsidiary of the Company;
- (iii) make a payment (whether by way of advance, loan or otherwise) to that person in respect of costs, charges and expenses incurred by that person in defending any civil or criminal proceedings against him, on the condition that he shall repay the amount of the payment if any allegation of fraud or dishonesty is proved against him in such civil or criminal proceeding; and

- (iv) keep that person insured in respect of any act or omission by that person while an officer of the Company or an officer of a subsidiary of the Company, on the terms agreed (including as to payment of all or part of the premium for the contract of insurance).
- (q) Amendment
- No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and confirmed by a special resolution of the members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company.
- (r) Alteration of share capital
- Subject to the Bermuda Companies Act, the Listing Rules and the Bye-laws, the Company may alter its share capital.

15.2 Option terms

The following is a summary of the terms and conditions of the Options currently on issue.

- (a) Each Option entitles the holder to subscribe for one fully paid ordinary share in the Company.
- (b) The Options will expire at 5 pm AEST on 9 December 2015 (**Expiry Date**).
- (c) The amount payable on exercise of each Option is A\$0.25 (**Exercise Price**) as may be adjusted upon a capital reorganisation or a pro-rata issue in accordance with the Listing Rules and any applicable law in Bermuda.
- (d) Options are not transferrable without the prior written consent of the Company.
- (e) An Option holder may exercise its Options by lodging with the Company before the Expiry Date:
- (i) a written notice of exercise of Options (**Exercise Notice**) specifying the number of Options being exercised; and
 - (ii) payment of an amount equal to the Exercise Price per Option to be exercised.
- (f) The Exercise Notice is not effective until the Company has received full payment of the Exercise Price for all the Options to be exercised in cleared and available funds.
- (g) Within 10 business days after it receives and clears payment of the Exercise Price per Option to be exercised, the Company will allot and issue to the Option holder the number of Shares equal to the number of Options

exercised in the Exercise Notice, subject to compliance with the Listing Rules.

- (h) The Company will not apply for quotation of the Options on ASX.
- (i) All Shares allotted upon the exercise of Options will rank equally in all respects with other Shares from the date of issue.
- (j) The Company will make an application to ASX for admission to the Official List of any Shares issued as the result of the exercise of any Option within 10 business days of the allotment of those Shares.
- (k) Option holders cannot participate in a new rights issue of securities in the Company without first exercising the relevant Options. The Company will notify each Option holder of the proposed rights issue at least 9 business days before the record date applicable to that new rights issue. This will give Option holders the opportunity to exercise their Options prior to the date for the determination of entitlements to participate in that new rights issue.
- (l) If there is a bonus issue to Shareholders then the number of Shares over which each Option is exercisable will increase by the number of Shares which the Option holder would have received under the bonus issue if the Options had been exercised before the record date for that bonus issue.
- (m) If the Company offers Shares by way of a pro-rata issue (except a bonus issue or a rights issue) (as those terms are defined in the ASX Listing Rules) to the holders of Shares (whether renounceable or not), then the Exercise Price of an Option may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2, or the Exercise Price of an Option or number of underlying Shares over which an Option can be exercised may change if permitted by Listing Rule 6.22.2A.
- (n) In the event of any reorganisation including subdivision, consolidation, reduction, return or cancellation of the issued capital of the Company on or prior to the Option Expiry Date, the rights of an Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing such reorganisations in force at the time of the reorganisation.

16 ADDITIONAL INFORMATION

16.1 Inclusion of information

Section 712 of the Corporations Act provides that information contained in a document that has been lodged with ASIC is, subject to satisfying certain requirements, deemed to have been included in a prospectus.

For the purpose of section 712 of the Corporations Act, information contained in the Notice of Meeting and audited financial statements (inclusive of significant accounting policies) of the Company for the financial years 2012, 2013 and 2014 (copies of which have been lodged with ASIC) are deemed to be included in this Prospectus. References elsewhere in this Prospectus include the information as required by section 712.

16.2 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The Shares offered under this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

In determining what information this Prospectus must contain for the purposes of section 710 of the Corporations Act, the Company has had regard to the information previously announced to ASX. Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus.

16.3 No prospective financial forecasts

The Directors have considered the matters outlined in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings because the proposed future operations of the Company do not have an operating history from which reliable forecasts can be made. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Notwithstanding the above, this Prospectus includes, or may include, forward looking statements including, without limitation, forward looking statements regarding the Company's financial position, business strategy, and plans and objectives for its business and future operations (including development plans and objectives), which have been based on the Company's current expectations. These

forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward looking statements. These statements reflect views held only as at the date of this Prospectus. In light of these risks, uncertainties and assumptions, the forward-looking statements in this Prospectus might not occur. Investors are therefore cautioned not to place undue reliance on these statements.

16.4 Privacy

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

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related body corporates, agents, contractors and third party service providers, including mailing houses and professional advisors, and to ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Bermuda Companies Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its Register of Members. Information contained in the Company's Register of Members is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements. Persons may inspect the Company's Register of Members for free and, upon paying a fee, obtain a copy of the register. Such requests must be made in writing to the Company's registered office

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

16.5 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All prospective investors in the Company are urged to take independent financial advice about the taxation and any other consequences of investing in the Company.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to taxation and any other consequences of investing in the Company.

16.6 Existing Shareholders

As at the date of this Prospectus, the following Shareholders are registered holders of 5% or more of the Company's issued Shares (excluding the Treasury Shares):

Shareholder	Number of Shares	% ¹
Saglio Limited (an entity controlled by Mr King)	28,000,000	24.9
Century Elite Holdings Ltd	14,000,000	12.46
Grand Step Global Limited	14,000,000	12.46
Gunuq Limited	13,825,761	12.31
Major Port Limited (an entity controlled by Dr Yang)	10,000,000	8.9
Frountere Limited	9,314,000	8.29
River Fortune Ventures Ltd	7,893,000	7.02

¹ The total number of issued Shares on which the percentage is based excludes Treasury Shares.

16.7 Interests of experts and advisors

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

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Kings Park Corporate Lawyers has acted as legal adviser to the Company in connection with this prospectus and the Transaction. The Company will pay approximately A\$125,000 (excluding GST) to Kings Park Corporate Lawyers for these services. In addition to this amount, Kings Park Corporate Lawyers has been

paid approximately A\$60,000 for providing professional services to the Company during the last 2 years.

MHA Petroleum Consultants has prepared the Independent Geologists' Report in this Prospectus. In respect of this work, the Company will pay US\$61,000. MHA Petroleum Consultants has not received any other fees for services to the Company in the 2 years prior to the date of this Prospectus.

Kalikova & Associates International Legal Services LLC has prepared the Independent Kyrgyzstan Legal Report in this Prospectus. In respect of this work, the Company has paid approximately €20,000. Kalikova & Associates International Legal Services LLC has been paid approximately €1,000 for other services to the Company in the 2 years prior to the date of this Prospectus.

BDO Corporate Finance (WA) Pty Ltd has prepared the Investigating Accountant's Report in this Prospectus. In respect of this work, the Company will pay approximately A\$15,000 (excluding GST). BDO Corporate Finance (WA) Pty Ltd has been paid A\$36,560 (excluding GST) for providing fees for services to the Company in the 2 years prior to the date of this Prospectus.

16.8 Consents

Each of the persons referred to in this section:

- (a) has given and has not, before the date of lodgment of this Prospectus with ASIC withdrawn their written consent:
 - (i) to be named in the Prospectus in the form and context which it is named; and
 - (ii) where applicable, to the inclusion in this Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Prospectus;
- (b) has not caused or authorised the issue of this Prospectus;
- (c) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that person.

Name	Role	Statement/Report
BDO Corporate Finance (WA) Pty Ltd	Investigating Accountant	Investigating Accountants' Report, section 11

Name	Role	Statement/Report
Kings Park Corporate Lawyers	Solicitors to the Offer	Nil
MHA Petroleum Consultants	Independent Geologists'	Independent Geologists' Report, section 8
Kalikova & Associates International Legal Services LLC	Independent legal advisors	Independent Kyrgyzstan Legal Report, section 9
BDO Audit (WA) Pty Ltd		
Computershare Investor Services Pty Limited	Share Registry	Nil
Quangas Poly Limited		
Gain Diligence Limited		
Beijing Orion		

16.9 Expenses of the Offer

The total estimated expenses of this Prospectus are estimated to be between approximately US\$265,000 and US\$291,000, consisting of the following:

Cost (US\$)	Minimum Subscription	Maximum Subscription
Independent Geologist	60,542	60,542
Independent Kyrgyzstan Lawyers	24,217	24,217
Investigating accountants	12,108	12,108
Legal fees	100,904	100,904
ASIC and ASX fees	26,639	52,470
Brokers' and other selling fees ¹	32,289	32,289
Share registry and other costs	8,072	8,072
Total	264,772	290,604

- ¹ The Company reserves the right to pay holders of AFSs a fee of up to 5% in applications bearing their stamp.

These expenses have or will be paid by the Company.

For personal use only

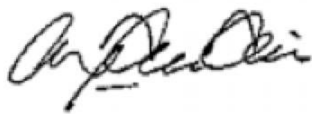
17 DIRECTORS' RESPONSIBILITY AND CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive. In respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, and those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgment of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of the Shares pursuant to this Prospectus.

Each Director has consented to the lodgment of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 12 February 2015

Signed for and on behalf of
FeOre Limited by



Chen Chik (Nicholas) Ong

18 GLOSSARY

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

AFSL	Australian Financial Services Licence.
\$ or A\$	Australian dollars unless otherwise stated.
Acquisition	the acquisition by the Company of 100% of the issued capital of Quangas Poly.
AEDT	Australian Eastern Daylight Saving Time.
Applicant	a person who submits a valid Application Form pursuant to this Prospectus.
Application	a valid application made on an Application Form to subscribe for Shares pursuant to this Prospectus.
Application Form	the application form attached to this Prospectus.
ASIC	the Australian Securities & Investments Commission.
ASX	the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.
Beijing Orion	Beijing Orion Energy Technology & Development Co., Ltd
Beijing Orion Group Companies	Beijing Orion, its subsidiaries or its associated companies
BMA	the Bermuda Monetary Authority.
Board	the Board of Directors of the Company.
Bye-laws	the bye-laws of the Company, as amended.
Chairman	the Chairman of the Company.
Closing Date	the closing date for receipt of Application Forms under this Prospectus, estimated to be 5.00pm AEDT on 13 February 2015 or an amended time as set by the Board.
Co-Investment Agreement or Contract No. 381	the co-investment and profit (product) sharing agreement entered into by PEI and KNG.

Companies Act	the <i>Companies Act 1981</i> of Bermuda as amended from time to time.
Company or FeOre	FeOre Limited (Exempt Company Number 45631), subject to Shareholder approval, to be renamed Sagalio Energy Limited.
Completion	completion of the Acquisition.
Conditions Precedent	the conditions precedent set out in section 13.2
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Deposit	a refundable deposit of US\$10 million which was paid to the Seller upon signing the MoU.
Director	a director of the Company.
EPC Contract	the engineering, procurement and construction contract entered into by PEI and Beijing Orion.
Gain Diligence Limited or the Seller	Gain Diligence Limited.
Independent Technical Report	the technical report prepared by MHA Petroleum Consultants dated 30 September 2014, a copy of which is included at section 8 of this Prospectus.
Investigating Accountant's Report	the investigating accountant's report prepared by BDO Corporate Finance (WA) Pty Ltd which includes information derived from the audited financial report of the Company for the year ended 30 June 2014, a copy of which is included in section 11 of the Prospectus.
KNG	Kyrgyzneftegaz OJSC (the Kyrgyz Republic national oil & gas company).
Land Code	The Land Code of the Kyrgyz Republic dated June 2, 1999 No. 45 as last amended on July 18, 2014.
Listing Rules	the listing rules of ASX.
Maximum Subscription	A\$5 million.
MHA	MHA Petroleum Consultants LLC.

Minimum Subscription	A\$3.5 million.
MoU	the memorandum of understanding entered into between the Company and the Seller to acquire 100% of Qangas Poly.
Notice of Meeting	the notice of meeting for the Shareholder Meeting.
Offer	the offer under this Prospectus to between A\$3.5 million and A\$5 million through either the issue or transfer (in the case of Treasury Shares) of up to a maximum of 100 million Shares at an issue price of A\$0.05.
Official List	the official list of the ASX.
Oil and Gas Law	The Law of the Kyrgyz Republic “On Oil and Gas” dated June 8, 1998 No. 77 as last amended on January 20, 2015.
Opening Date	12 February 2015.
Option	Unlisted option exercisable at A\$0.25 on or before 9 December 2015.
Orion Energy	Orion Energy LLC.
PEI	PEI LLC.
Placement Shares	the Shares issued under the Placement.
Projects	the development block of Marleysu East Yizbaskent (33.8 km ²), the exploration block of Yizbaskent - Arash (171 km ²) and the exploration block of Susamur (334.25 km ²) referred to in section 5.2 of this Prospectus.
Prospectus	this prospectus and includes the electronic prospectus.
Public Procurement Law	The Law of the Kyrgyz Republic “On Public Procurement” dated May 24, 2004 No. 69 as last amended on May 17, 2014.
Quangas Poly	Quangas Poly Limited.
Residual Asset	the escrowed sum of US\$5.67 million to be released if the purchaser of the Company’s Mongolian iron ore assets lists the assets on the Hong Kong Stock Exchange.

Share	a fully paid ordinary share in the capital of the Company (not being a Treasury Share).
Share Registry	Computershare Investor Services Pty Limited.
Shareholder	a registered holder of Shares in the Company.
Shareholder Meeting	the meeting of Shareholders to be held on 13 February 2015 to approve the Transaction.
SPE PRMS	the Society of Petroleum Engineers Petroleum Resources Management System 2007.
Subsoil Law	The Law of the Kyrgyz Republic “On Subsoil” dated August 9, 2012 No. 160 as last amended on May 24, 2014.
Transaction	the Acquisition and Placement and ancillary transactions, as set out in the explanatory memorandum of the Notice of Meeting.
Treasury Shares	the shares bought back by the Company under a share buy-back exercise undertaken in July 2014, and which are held by the Company.
Work Program	Has the meaning given in section 12.2 of this Prospectus.



This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay.

You should read the Prospectus dated 12 February 2015 and any relevant supplementary Prospectus (if applicable), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary Prospectus (whether in paper or electronic form).

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Surname

Joint Applicant 3 or Account Designation

[illegible]

City/Suburb/Town

State

Postcode

[illegible]

Telephone Number - Business Hours

()

Holder Identification Number (HIN)

[illegible]

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
☐				A\$

Make your cheque payable to "FeOre Limited - Share Offer Account"

- I/we declare that this application is complete and lodged according to the Prospectus, and any relevant supplementary Prospectus, and the declarations/statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Bye-Laws of the Company.

See overleaf for completion guidelines ➔

How to complete this Application Form

A**Shares applied for**

Enter the number of Shares you wish to apply for. The application must be for a minimum of 40,000 Shares (being minimum application moneys of A\$2,000), and thereafter in multiples of 4,000 Shares (A\$200).

B**Application Monies**

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price of \$0.05 per Share.

C**Applicant Name(s)**

Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applications may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D**Postal Address**

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E**Contact Details**

Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.

F**CHES**

The Company participates in CHES. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G**Payment**

Make your cheque payable to "**FeOre Limited - Share Offer Account**" in Australian currency and cross it "**Not Negotiable**". Your cheque must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Please note that funds are unable to be directly debited from your bank account.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented any may result in your Application being rejected.

Paperclip (do not staple) your cheque(s) to the Application Form. Cash will not be accepted.

Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read the prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in FeOre Limited is upon and subject to the terms of the prospectus and the Constitution of FeOre Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by FeOre Limited by no later than 5.00pm AEDT on the Offer Closing Date. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

- FeOre Limited, C/- Computershare Investor Services Pty Limited, GPO Box 2115, Melbourne, Victoria 3001 by mail

Neither Computershare Investor Services Pty Limited nor FeOre Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means.

If you have any enquiries concerning the Offer, please contact the Company by telephone on +61 8 9486 4036.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund