

# AO ENERGY LIMITED

ACN 010 126 708

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## RIGHTS ISSUE PROSPECTUS

For a pro-rata non-renounceable rights issue to Eligible Shareholders of 1 New Share for every 2 Shares held on the Record Date at an issue price of \$0.06 per New Share.

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### Important Information

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**The Rights Issue closes at 5.00pm Adelaide time on Tuesday, 12 March 2013** (or such later date as the Directors, in their absolute discretion may determine).

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

An investment in the securities offered by this Prospectus should be considered as speculative.

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# Important information

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## Important notice

You should read this entire Prospectus carefully. It is important that you consider the risk factors (see Section 4) that could affect the Company's financial performance, before deciding on your course of action.

This Prospectus is dated 12 February 2013. A copy of this Prospectus was lodged with ASIC on 12 February 2013. This Prospectus expires on 11 February 2014 and no New Shares will be allotted or issued, on the basis of this Prospectus, after this time.

The Company will apply to the ASX for the New Shares to be quoted on the ASX within 7 days after the date of this Prospectus.

Applications for New Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus. The Entitlement and Acceptance Form sets out a Shareholders' Entitlement to participate in the Offer. Eligible Shareholders who do not take up their Entitlement will have their existing interest in the Company diluted. Please refer to Section 1 for details of how to accept the Offer.

The Company has not authorised any person to give information, or to make any representation, in connection with this Prospectus which is not contained in the Prospectus or inconsistent with it. Any information or representation not so contained, or inconsistent with the information in this Prospectus, may not be relied on as having been authorised by the Company in connection with this Prospectus.

Some words in this Prospectus have defined meanings. The definitions appear in Section 7 at the end of this Prospectus. References to dollars are to Australian dollars unless otherwise indicated.

This Prospectus contains an offer to Eligible Shareholders in Australia or in New Zealand of "**continuously quoted securities**" (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. Please refer to Section 1 for further information concerning the nature of this Prospectus.

Neither ASIC nor the ASX take any responsibility for the contents of this Prospectus, or the merits of the investment to which this Prospectus relates.

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## Foreign Shareholders and Foreign jurisdictions

The New Shares being offered under this Prospectus are being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

No member of the public in New Zealand may accept the offer made under this Prospectus except in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and has not been registered, filed with or approved by any New Zealand regulatory authority or under any relevant law in New Zealand. This Prospectus may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This Prospectus does not constitute an offer in any place where it would not be lawful to make such an offer, nor does it constitute an offer to any person to whom it would not be lawful to make such an offer. Ineligible Shareholders are not entitled to participate in the Rights Issue.

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## Future performance

Except as required by law, and only then to the extent required, neither the Company nor any other person, guarantees the future performance of the Company or any return on any investment made pursuant to this Prospectus.

Any investment in the New Shares should be considered speculative.

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## Chairman's letter

12 February 2013

Dear Shareholder

On behalf of the Board of AO Energy Limited, I am pleased to invite you to participate in a non-renounceable Rights Issue to raise up to a total of approximately \$1.7 million.

The Rights Issue provides all Eligible Shareholders the opportunity to invest in one New Share for every 2 Shares held at 7.00pm (Adelaide time) on the Record Date (21 February 2013). The New Shares will be issued at 6 cents per New Share.

In addition, Eligible Shareholders may apply for Additional Shares over and above their Entitlement at the same price of 6 cents per Additional Share, if and to the extent there is any Shortfall. Further details are included in sections 1.1 and 1.2 of the Prospectus.

The Prospectus was lodged with ASIC on 12 February 2013 and a copy will be sent to all Shareholders of the Company who are on the register of members as at 7.00pm on 21 February 2013 and who have registered addresses in Australia or New Zealand.

The funds to be raised from the Rights Issue will be used to meet ongoing working capital requirements of the Company and to continue the Company's investigation of oil and gas opportunities. Further details of the proposed use of funds are set out in section 3.1 of the Prospectus for the Rights Issue.

To find out what you need to do to participate in the Rights Issue, please refer to the attached Entitlement and Acceptance Form which sets out the details of your Entitlement and how to accept all or a portion of your Entitlement.

I urge you to read the Prospectus thoroughly. The Prospectus is intended to be read in conjunction with publicly available information relation to the Company. This information regarding the Company can be accessed via links on the Company website, [www.aoenergy.com.au](http://www.aoenergy.com.au).

The Company's Directors have indicated that they intend to take up part of their Entitlements under the Rights Issue, subject to legal and other limitations imposed upon them and their associates.

On behalf of the Directors, I commend this Offer to you.

Yours sincerely



Colin Goodall  
Chairman

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## Summary of Important Dates

**Table 1: Rights Issue Key Dates**

Date of Lodgement of Prospectus with ASIC and ASX	12 February 2013
Notice of Rights Issue sent to Shareholders	14 February 2013
Existing Shares quoted ex-rights	15 February 2013
<b>Record Date to determine Entitlements under Rights Issue</b>	21 February 2013
Prospectus with Entitlement and Acceptance Form despatched to Eligible Shareholders	25 February 2013
Acceptances Open	
<b>Closing Date for acceptances</b>	12 March 2013
New Shares are quoted for ASX trading on a deferred settlement basis	13 March 2013
Company notifies ASX of under subscriptions	14 March 2013
Issue of New Shares and despatch of holding statements	18 March 2013
Expected date for commencement of normal trading of New Shares on ASX*	19 March 2013

The above dates are indicative only and may change without notice.

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### Defined terms and abbreviations

Terms and abbreviations used in this Prospectus are defined in the Glossary in Section 7.

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## 1 DETAILS OF THE OFFER

### 1.1 General

This Prospectus invites Eligible Shareholders to participate in a pro-rata non-renounceable Rights Issue on the basis of 1 New Share for every 2 Shares held on the Record Date at an issue price of \$0.06 per New Share.

If no Vested Options are exercised prior to the Record Date and all of the Eligible Shareholders take up their Entitlement in full, then:

- (1) 29,054,889 New Shares will be offered under the Rights Issue; and
- (2) the amount of \$1,743,293, before costs, will be raised by the Company from the Rights Issue.

If in the unlikely event that all Vested Options are exercised prior to the Record Date, then 30,796,307 New Shares will be offered under the Rights Issue, and an additional \$104,485 (before costs) will be raised if Eligible Shareholders take up their Entitlements in full.

### 1.2 Additional Shares

Eligible Shareholders who take up their full Entitlement may also apply for Additional Shares. Applications for Additional Shares may be considered if not all of the Offer Shares are taken up by the Eligible Shareholders under the Offer. Applications for Additional Shares will be satisfied prior to the Shortfall Offer referred to in Section 1.14. Additional Shares will be issued at the discretion of the Directors and, as a result, there is no guarantee that you will receive Additional Shares.

In the event that Entitlements are not taken up in full, Eligible Shareholders who have taken up all of their Entitlement and have made an application for Additional Shares may be allocated Additional Shares as follows:

- (a) the number of Additional Shares allocated to an Eligible Shareholder who has applied for Additional Shares will be at the discretion of the Directors;
- (b) the Directors reserve the right to allocate Additional Shares to Eligible Shareholders in part or not at all; and
- (c) an Eligible Shareholder will not receive more Additional Shares than they have applied for.

There is no guarantee that Eligible Shareholders will be successful in being allocated any of the Additional Shares that they may apply for. If an application for Additional Shares is scaled back or the Directors decide not to issue Additional Shares to an Eligible Shareholder, then the Application Moneys for those Additional Shares which are not issued to the applicant will be returned to the applicant without any payment of interest.

### 1.3 Your Entitlement and trading of Entitlements

Your Entitlement is shown in the accompanying Entitlement and Acceptance Form.

In the calculation of any Entitlement, fractions will be rounded up to the nearest whole number and, for this purpose, holdings in the same name will be aggregated for calculation of Entitlements.

The Rights Issue is being made on a non-renounceable basis, meaning that Entitlements cannot be transferred or sold.

### 1.4 Minimum Subscription

There is no minimum subscription for the Offer.

### 1.5 Underwriting

The Rights Issue is not underwritten.

### 1.6 Opening Date and Closing Date

The Rights Issue will open on 25 February 2013 (**Opening Date**) and close at 5.00pm Adelaide time on 12 March 2013 (or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine) (**Closing Date**).

Completed Entitlement and Acceptance Forms must be received at the Company's Share Registry by the Closing Date, together with payment, in Australian dollars, for the amount of the application.

## **1.7 How to take up your Entitlement**

Under the Rights Issue, you may apply for 100% of your Entitlement or for a portion less than your Entitlement, by using the personalised Entitlement and Acceptance Form mailed to you with this Prospectus.

The Entitlement and Acceptance Form details your Entitlement and should be completed in accordance with the instructions set out on its reverse side.

**You should allow sufficient time to ensure that your Entitlement and Acceptance Form reaches the Share Registry by the specified time by 5.00pm (Adelaide time) on the Closing Date, being Tuesday, 12 March 2013 unless extended by the Directors.**

## **1.8 Use of Funds**

The purpose of the Offer is to raise up to approximately \$1.7 million. The gross proceeds of the Rights Issue are intended to be used for the purposes and in the amounts set out in the table in section 3.1 of this Prospectus.

## **1.9 Issue and Allotment of New Shares**

The allotment of New Shares will take place as soon as practicable after the Closing Date.

The New Shares will be issued fully paid and, from the date of issue, will rank equally in all respects with Shares. A summary of the rights attaching to New Shares is set out in section 5.1.

By returning your Entitlement and Acceptance Form, you agree to comply with the Constitution in respect of the New Shares issued to you.

Until the issue and allotment of the Offer Shares the Application Monies will be held on trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Monies will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the Offer Shares takes place. No allotment of Offer Shares will take place until the proceeds of the Rights Issue have been received and ASX grants permission to quote the New Shares.

## **1.10 ASX Quotation**

The Company will make application to the ASX within 7 days following the date of this Prospectus for the grant of official quotation of the New Shares.

Quotation of the New Shares, if granted by the ASX, will commence as soon as practicable after statements of holdings for the New Shares are dispatched.

If approval for official quotation is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot or issue any New Shares and will repay all Application Monies (where applicable) within the time prescribed under the Corporations Act, without interest.

That the New Shares have been admitted to quotation on ASX is not to be taken in any way as an indication of the merits of the Company or the New Shares.

## **1.11 Overseas Shareholders**

The New Shares being offered under this Prospectus are being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

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

The Company believes it is unreasonable to extend the Offer to Ineligible Shareholders. The Company has formed this view having considered:

- (a) the number and value of the securities that would be offered to those shareholders; and
- (b) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Offer under this Prospectus is not made to Ineligible Shareholders (as defined in Section 7).

## **1.12 Risks associated with not accepting your Entitlement**

It is important that Eligible Shareholders understand the risks associated with not accepting their Entitlement.

If you elect not to accept your Entitlement in full under this Prospectus, your Shareholding in the Company will be diluted. Please carefully consider whether to accept your Entitlement and, if you are in doubt as to whether to accept, you should consult your independent professional investment adviser.

#### **1.13 Brokerage and stamp duty payable on subscription under Entitlement**

The Company will pay a brokerage commission of 3% on the total funds raised by licenced brokers Entitlement and Acceptance forms bearing the broker's stamp and accepted by the Company.

Otherwise, no brokerage or stamp duty will be payable by you in respect of a subscription for New Shares under your Entitlement.

#### **1.14 Shortfall Offer**

New Shares not taken up by Eligible Shareholders (including pursuant to applications for Additional Shares) will form part of the Shortfall Offer (which is a separate offer made under this Prospectus and will remain open after the Closing Date). The issue price of any Shares offered pursuant to the Shortfall Offer will be 6 cents each, being the same price as the New Shares offered to Eligible Shareholders pursuant to the Offer. Shortfall Shares will only be issued if the Offer is undersubscribed. In such circumstances, the Directors reserve the right to place the Shortfall at their discretion within 3 months after the close of the Offer, subject to the ASX Listing Rules and any other applicable law.

Allotment of Shortfall Shares under the Shortfall Offer may occur on a progressive basis at any time on or after the date of allotment of New Shares under the Offer.

#### **1.15 Tax implications**

The Company makes no representation and provides no advice in relation to the tax consequences for any Shareholder of taking up their Entitlement under the Offer. Shareholders should seek professional taxation advice about the tax consequences of taking up the Entitlement.

#### **1.16 CHESS**

The Company will not be issuing share certificates. The Company will apply to the ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (**HIN**) or Shareholder Reference Number (**SRN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **1.17 Enquiries**

Any questions concerning the Offer should be directed to the Managing Director or the Company Secretary at the Company's registered office or by telephoning either of them on 08 8212 0144.

#### **1.18 The Company's regular reporting and disclosure requirements**

The Company is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As a disclosing entity, the Company is subject to regular reporting and disclosure obligations. Broadly, these obligations require:

- the preparation of both yearly and half yearly financial statements, a report on the operations of the Company during the relevant accounting period together with an audit or review report by the Company's auditor;
- any half year financial report lodged with ASIC by the Company after lodgement of the above financial report and before the lodgement of the copy of the Prospectus with ASIC; and
- immediate notification to the ASX of any information concerning the Company which it becomes aware of and which a reasonable person would expect to have a material effect on the price or value of the Shares, subject to certain exceptions.

Copies of any documents in relation to the Company which are lodged with ASIC may be obtained from, or inspected at, an ASIC office. ASX maintains a file of all announcements lodged with it by the Company. Copies of documents lodged by the Company with ASX can be found on ASX's website, [www.asx.com.au](http://www.asx.com.au) and on the Company's website, [www.aoenergy.com.au](http://www.aoenergy.com.au).

During the period that the Offer remains open, the Company will provide copies of the following to any person on request, free of charge:

- (a) the Company's annual financial report for the year ended 31 December 2011;
- (b) the Company's interim financial report for the half year ended 30 June 2012;
- (c) any continuous disclosure notices used to notify ASX of information relating to the Company between 26 March 2012 (being the date of lodgement with ASIC of the annual financial report referred to in paragraph (a)) and the date of lodgement of this Prospectus. The documents listed in Schedule 1 to this Prospectus were lodged by the Company with ASX during this period.

All requests for copies of the above documents should be addressed to the Company Secretary.



## 2 COMPANY OVERVIEW

### 2.1 Company Update

The Company's long term traditional business of minerals exploration is ongoing. The Company's main asset in this area is a 40% non-operated stake in the Connors Arch Joint Venture, which holds exploration tenements in Queensland that are prospective for copper and gold.

Activity at Connors Arch is ramping up, with the joint venture parties conducting negotiations with external parties over their potential injection of new ideas, expertise and capital into the asset via the usual industry form of a farm-in arrangement. Further disclosure of these currently confidential negotiations will be made when commercially appropriate and legally required.

The Company's other minerals exploration asset is a tenement in New South Wales with precious metals prospectivity, which is currently held on a 100% basis. The Directors' consider this is a less material asset than Connors Arch and they are currently determining whether a farm-out is feasible or if the potential rewards of a standalone exploration program warrants the relevant risks.

Given the considerable resources industry expertise of the current Directors is largely in the oil and gas industry, investigations into potential petroleum ventures in the Asia-Pacific region remain on foot. As the Company announced on 20 December 2012, it decided against pursuing the acquisition of interests in oil-field assets in Kazakhstan which were the subject of a number of the resolutions proposed and passed at the General Meeting held on 14 November 2012. The Company is well advanced in a couple of its investigations and the Board is hopeful of making a decision as to progress the current negotiations to a point where acquisition terms are agreed in the next few months.

In regard to the Company's short term objective of securing an interest in a petroleum venture, it is noted that the Company's ability to do so will be subject to it complying with the requirements imposed by the ASX under the Listing Rules. In the case of the Company, it is likely that those requirements will include having to obtain Shareholder approval to the acquisition as well as the Company having to re-comply with the admission requirements of Chapters 1 and 2 of the Listing Rules. Additionally, the Company will not be applying any of the funds raised under the Offer for the payment of the purchase price or other consideration payable under any acquisition agreement entered into by the Company and it will need to raise further funds (either through equity or debt or a combination of both) to make such a payment.

### 2.2 The Company's Board and Senior Management

The Company's board and management have extensive experience in exploration, project development, resource operations and public company administration, with a unique suite of experience in the international oil and gas industry.

The Board comprises:

Colin Goodall (Chairman)  
Neil Young (Managing Director)  
The Hon. Alexander Downer (Non-Executive Director)  
David Bamford (Non-Executive Director)  
Jeremy Jebamoney (Executive Director)

On 5 October 2012 the Company appointed Mr Jarek Kopias as Company Secretary.

### 2.3 The Company's Share Capital

At the date of this Prospectus the Company had:

- (1) 58,109,778 Shares on issue;
- (2) 3,482,837 Vested Options which are capable of being exercised;
- (3) 28,000,000 Unvested Options, none of which are capable of being exercised on their terms of issue prior to the Record Date; and
- (4) 3,600,000 Performance Rights, none of which are capable of being exercised on their terms of issue prior to the Record Date.

### 3 PURPOSE AND EFFECT OF THE RIGHTS ISSUE ON THE COMPANY

#### 3.1 Purpose of the Rights Issue

The purpose of the Rights Issue is to raise up to \$1,743,293 before expenses<sup>1</sup>. Expenses related to the Offer are expected to be approximately \$67,000.

The gross proceeds to be raised from the Offer are planned to be used in accordance with the table set out below:

Use of proceeds if full amount raised	\$	%
Expenses related to the Rights Issue	\$67,000	4%
General working capital and administration expenses for the next 12 months	\$1,000,000	57%
Expenses relating to the Company's existing mineral exploration interests and the investigation of new opportunities	\$676,293	39%
Total	\$1,743,293	100%

There is no minimum subscription under the Offer and the Offer is not underwritten. If less than 29,054,889 New Shares are issued pursuant to the Rights Issue, then the Company will raise less than \$1,743,293. In this case, it is intended that the gross proceeds of the Rights Issue will be used in accordance with the table set out below:

Use of proceeds if less than full amount raised	\$
Expenses related to the Offer	The first \$67,000
Corporate and administration expenses for the next 12 months	The next \$1,000,000
Expenses relating to the Company's existing mineral exploration interests and the investigation of new opportunities	The balance of proceeds raised

The above tables are 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 manner in which the proceeds are ultimately applied. The Board reserves the right to alter the way proceeds are applied on this basis.

#### 3.2 Principal effect of Rights Issue

If no Vested Options are exercised prior to the Record Date and if all of the Eligible Shareholders take up their Entitlement in full, then the principal effect of the Rights Issue on the Company will be that:

- (a) cash reserves and contributed equity of the Company will increase by approximately \$1,743,293 before deducting the expenses of the Rights Issue; and
- (b) the number of Shares on issue will increase by 29,054,889 from 58,109,778 shares to 87,164,667 shares.

If in the unlikely event that 100% of the Vested Options are exercised prior to the Record Date and all Entitlements are taken up, then the principal effect of the Rights Issue on the Company will be that:

- (a) cash raised would be approximately \$1.89 million from the exercise of the Vested Options and up to approximately \$1,847,778 million from the Rights Issue before deducting the expenses of the Rights Issue; and

<sup>1</sup> This amount has been calculated on the assumption that none of the Vested Options are exercised before the Record Date. If all of the Vested Options are exercised before the Record Date and all of the Eligible Shareholders take up their Entitlement in full then the Company will raise an additional \$104,485 (before costs) under the Rights Issue.

(b) the number of Shares on issue will increase by 30,796,307 from 58,109,778 to 88,906,085.

### 3.3 Impact on capital structure

#### (a) Undiluted

At the date of this Prospectus, the Company has 58,109,778 Shares on issue.

Assuming no Vested Options are exercised prior to the Record Date and no Shares are issued prior to the Record Date, then if all of the Eligible Shareholders take up their entitlement in full the New Shares issued pursuant to this Prospectus will be 29,054,889 or approximately 33% of the expanded issued capital, and the total Shares on issue after the Rights Issue will be 87,164,667.

#### (b) Diluted

The Company has 3,482,837 Vested Options on issue which have not been exercised at the date of this Prospectus, together with 28,000,000 Options which have not vested and therefore are not able to be exercised. The details of Options on issue are:

**Table 2: Options on Issue**

Amount	Vested / Not Vested	Expiry	Exercise Price
641,791	Vested	31.12.13	\$2.01
1,791,046	Vested	20.9.16	\$0.20
1,050,000	Vested	11.2.16	\$0.225
<b>3,482,837</b>	<b>Total Vested</b>		
9,500,000	Not Vested	11.2.16	\$0.225
18,500,000	Not Vested	11.2.17	\$0.30
<b>28,000,000</b>	<b>Total Not Vested</b>		

As noted in Section 1, only holders of Vested Options who have exercised their Options and been issued Shares prior to the Record Date are entitled to participate in the Rights Issue.

If 100% of the Vested Options are exercised prior to the Record Date, the number of fully paid ordinary Shares on issue will increase by 3,482,837 from 58,109,778 to 61,592,715 before the Rights Issue. If all Entitlements are taken up, the number of fully paid ordinary Shares on issue will increase by 34,279,144 from 58,109,778 to 92,388,922 after the Rights Issue.

The pro-forma capital structure of the Company following the Rights Issue on both an undiluted, and fully diluted basis for the 3,482,837 Vested Options, is set out below:

**Table 3: Issued Capital Post Rights Issue**

Issued Capital	Undiluted	100% Diluted (Vested Options Only #)
Existing Shares	58,109,778	61,592,615
New Shares to be issued pursuant to this Prospectus	29,054,889	30,796,307
Total Shares on issue following the Rights Issue	87,164,667	92,388,922
Vested Options on issue	3,482,837	Nil if fully exercised
Unvested Options on issue	28,000,000	28,000,000
Performance Rights on issue	3,600,000	3,600,000

(# vested options only, as Options and Performance Rights which are not vested cannot be exercised)

### 3.4 Effect on control of Company

The Offer is not expected to have any material impact on control of the Company.

### 3.5 Financial Effect of the Offer

The effect of the Offer on the Company's financial position if all of the Eligible Shareholders take up their Entitlements in full (and none of the vested Options are exercised prior to the Record Date) will be to increase consolidated net assets and consolidated total equity by \$1,676,293 after payment of the cash expenses of the Rights Issue which are estimated at \$67,000. It is intended that these funds will be applied as set out in section 3.1 of this Prospectus.

If all of the Vested Options are exercised prior to the Record Date and all of the Eligible Shareholders take up their Entitlement in full then the consolidated net assets and consolidated total equity will increase by 1,780,778 after payment of the cash expenses of the Rights Issue which are estimated at \$67,000. An additional \$1,886,250 would be raised from the exercise of vested options.

### 3.6 Pro-forma Statement of Financial Position as at 31 December 2012

To illustrate the effect of the Offer on the Company, the following unaudited pro-forma statement of the Company as at 31 December 2012 has been prepared on the basis of the Company's unaudited statement of financial position as at 31 December 2012.

	<b>Audited</b>	<b>Unaudited</b>	<b>Pro Forma Unaudited Full rights Entitlement</b>
	<b>30 Jun 2012</b>	<b>31 Dec 12</b>	<b>31 Dec 12</b>
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	163,583	256,302	1,932,595
Trade and other receivables	17,641	62,093	62,093
Total Current Assets	<u>181,224</u>	<u>318,395</u>	<u>1,994,688</u>
<b>NON-CURRENT ASSETS</b>			
Deposits	95,000	15,000	15,000
Property, plant & equipment	15,500	31,715	31,715
Exploration and evaluation Assets	534,500	568,692	568,692
Total Non-Current Assets	<u>645,000</u>	<u>615,407</u>	<u>615,407</u>
<b>TOTAL ASSETS</b>	<u>826,224</u>	<u>933,802</u>	<u>2,610,095</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	93,013	402,801	402,801
Total Current Liabilities	<u>93,013</u>	<u>402,801</u>	<u>402,801</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term provisions	50,000	50,000	50,000
Total Non-Current Liabilities	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<b>TOTAL LIABILITIES</b>	<u>143,013</u>	<u>452,801</u>	<u>452,801</u>

<b>NET ASSETS</b>	683,211	481,001	2,157,294
<b>EQUITY</b>			
Issued Capital	45,597,231	47,128,731	48,805,024
Reserves	376,750	469,641	469,641
Accumulated losses	(45,213,325)	(47,117,371)	(47,117,371)
Equity attributable to the owners of AO Energy	760,656	481,001	2,157,294
Non-controlling equity	(77,445)	-	-
<b>TOTAL EQUITY</b>	683,211	481,001	2,157,294

Notes:

1. Column 1 represents the historical audited Consolidated Statement of Financial Position of the Company as at 30 June 2012.
2. Column 2 represents the unaudited Consolidated Statement of Financial Position of the Company as at 31 December 2012.
3. Column 3 represents the pro-forma Consolidated Statement of Financial Position as at 31 December 2012 assuming no Vested Options are exercised before the Record Date, Eligible Shareholders take up their Entitlements in full and an amount of \$1,676,293 is raised from the rights issue after meeting the costs of the Offer.

## 4 RISK FACTORS

### 4.1 General

The Company's activities are subject to a number of risks which may impact respective future financial performance and the market price at which New Shares trade. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, others are outside the Company control and cannot be mitigated. Therefore, investors who acquire New Shares may be exposed to a number of risks. Broadly, these risks can be classified as risks general to investing in the share market and risks specific to an investment in Shares and the Company's underlying business.

This Section sets out the identified major risks associated with investing in New Shares. This list is not exhaustive and investors should read this Prospectus in its entirety before making an investment decision. Investors should also have regard to their own investment objectives and financial circumstances, and should consider seeking appropriate independent investment advice before deciding whether to invest in the New Shares.

### 4.2 Risks specific to an investment in the Company

Specific risks relating to the Company include, but are not limited to the following:

#### (a) New Opportunities may not materialise

The Company may expend funds in investigating new opportunities which do not materialise or even if the Company enters into transaction documents in respect of them they are not able to be completed by reason of:

- (i) the counterparty to the transaction defaulting on its contractual obligations; or
- (ii) the conditions precedent to the relevant transactions not being satisfied. Such conditions preceded may include:
  - the approval by the Company's Shareholders of the transaction;
  - the obtaining of regulatory approvals;
  - the re-compliance by the Company with Chapters 1 and 2 of the Listing Rules;
  - the successful completion of a further capital raising by the Company.

#### (b) Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. If the Company is successful in identifying a new opportunity in which it wishes to invest, the Company is likely to have insufficient funds to pursue the acquisition of such an interest without the raising of further funds (either through equity or debt or a combination of both).

There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of the Company and its performance. Existing Shareholders may be diluted if additional funds are raised by equity securities.

#### (c) Operating Risks

The operations in which the Company are currently participating are generally considered high-risk undertakings and are subject to a number of risks and hazards typically associated with such operations, each of which could result in substantial damage to facilities, other property and the environment or in personal injury and/or death and/or interruption of operations.

The operations of the Company may be affected by a range of various factors, including operational and technical difficulties encountered in drilling; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated drilling problems which may affect production costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having its main industry experience in the mineral resources sector, the Company itself does not have any operating experience with oil and gas ventures, although it should be noted that the Directors have between them significant operational experience in this field. No assurances can be given that the Company will achieve commercial viability through successful operations in any resources project in which it holds an interest.

**(d) Title of tenements**

The Company's title to its mineral exploration interests in Queensland and New South Wales are governed by the respective mining legislation of those States and are evidenced by the granting of licences or permits. Each licence or permit is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in these tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

**(e) Licences and permits**

The Company's mining exploration activities are dependent upon the good standing of all required licences, concessions, leases, tenements, permits and regulatory consents. Maintaining tenements, obtaining renewals, or getting tenements granted, often depends on the Company being successful in obtaining the required statutory approvals for its proposed activities and that the licences, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

**(f) Exploration and development**

Prospective investors should understand that both mineral and petroleum exploration, development and production are high-risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic resource, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

There is no assurance that exploration of the mineral interests currently held by the Company, or in any other exploration interest the Company may subsequently acquire, will result in the discovery of an economically viable resource. Even if an apparently viable resource is identified, there is no guarantee that it can be profitably exploited.

**(g) Potential Acquisitions**

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

**(h) Resource Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that are valid when made may change significantly when new information becomes available through drilling, sampling and similar examinations.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

**(i) Reliance on Key Management**

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

**(j) Risks associated with operations in foreign jurisdictions**

The Company has announced that it is to investigate oil and gas opportunities in the Asia-Pacific region. If the Company is successful in acquiring such an investment it will be subject to the risks associated with operating in a country that will not have same degree of political, financial and economic stability as enjoyed in Australia. Accordingly, it may be subject to various levels of political, economic and other risks and uncertainties, including, but are not limited to, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licences, permits and contracts, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local

contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

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

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

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

**(l) Investments may not be Wholly Owned**

Resource investments (minerals and oil and gas) are often structured through joint ventures. There is a risk that development/production activity could be disrupted in situations where there is a disagreement on development/production programs or other issues between the Company and the other parties in such joint ventures. Should such disagreements occur, this may have a deleterious impact on the Company's operations and performance generally.

**4.3 General investment and economic risks**

A number of factors which are outside of the Company's control may significantly impact on the Company, its performance and the price of New Shares. These factors include:

**(a) Investment and Economic Risk**

Economic factors both in Australia and internationally beyond the control of the Company, such as changes in commodity prices, interest rates, inflation, exchange rates, taxation, changes in government policy and legislation, may negatively impact on the operational performance of the Company.

The Company's revenues, expenses and cash flows could be negatively affected by any of these factors, which in turn may affect the price of New Shares.

No assurances can be made that the Company's performance will not be adversely affected by any such market fluctuations or factors. None of Company or its Directors or any other person guarantees the performance of the Company or the market price at which its shares trade.

The New Shares are to be quoted on ASX where their price may rise or fall.

The New Shares issued under the Rights Issue carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. The value of the New Shares will be determined by the share market and will be subject to a range of factors beyond the control of the Company and its Directors including the demand and availability of Shares.

There can be no guarantee that an active market in New Shares will develop or the market price of the shares will not decline. An investment in New Shares should be considered speculative.

**(b) Government policy**

The Company's capacity to explore and mine, as well as industry profitability generally, can be affected by changes in government policy which may be beyond the control of the Company.

**(c) Commodity price risk**

The demand for and price of commodities is highly dependant on a variety of factors, including, the level of forward selling by producers, costs of production, general economic conditions, inflation levels, interest rates and exchange rates.

These factors may adversely impact on the Company's ability to fund operations, exploration, evaluation and development activities.

**(d) Future capital needs and additional funding**

The future capital requirements of the Company will depend on many factors. There can be no guarantee that the Company will be able to raise additional capital to meet future funding requirements.



Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

(e) **Taxation risk**

Variations in the taxation laws of Australia could impact the Company's financial performance and interpretation of taxation law could change, leading to a change in taxation treatment of investments or activities.

(f) **Changes in regulatory environment**

Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact the operating and financial performance and cash flows of the Company.

(g) **Global credit and investment markets**

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the Shares trade regardless of operating performance, and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

## 5 ADDITIONAL INFORMATION

### 5.1 Rights and liabilities attaching to Shares

The New Shares will be of the same class and will, once issued, rank equally in all respects with existing Shares (including equal voting rights and equal rights to dividends, profits and capital). The rights and liabilities attaching to the New Shares are identical in all material respects to the terms of the existing Shares. The following is a summary of the principal rights of the holders of Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders under the Constitution.

The Constitution may be inspected free of charge by appointment between 9.00 am and 5.00 pm (Adelaide time) on normal business days from the Opening Date up to and including the Closing Date at the registered office of the Company at: Ground Floor, 15 Bentham Street, Adelaide, SA 5000.

#### ***Meetings of Shareholders and notices***

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

#### ***Voting***

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (irrespective of the number of Shares they hold) and one vote for each Share held on a poll. 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 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. A poll may be demanded by:

- (i) at least five Shareholders entitled to vote on the resolution;
- (ii) Shareholders with at least 5% of the votes that may be cast on the resolution; or
- (iii) the Chairman.

If the votes are equal on a proposed resolution, the Chairman has a casting vote on a show of hands.

#### ***Dividends***

The Directors may from time to time pay dividends to Shareholders out of the profits of the Company. The Directors may pay any interim and final dividends as, in their judgement, the financial position of the Company justifies. The Directors may fix the amount and the method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attaching to any shares, dividends must be paid equally on all shares and in proportion to the number of, and the amounts paid on, the shares held.

#### ***Issues of Shares***

Subject to the restrictions on the issue of shares imposed by the Constitution, the ASX Listing Rules and the Corporations Act, the Directors may issue, grant options in respect of, or otherwise dispose of further shares to any person on such terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as they see fit.

#### ***Variation of class rights***

Subject to the Corporations Act and their terms of issue, the rights attached to a class of shares may be varied with the consent in writing of the holders of at least three quarters of the issued shares in the particular class, or by a special resolution passed at a separate meeting of the holders of shares in that class. In either case, the holders of not less than 10% of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

The creation or issue of further shares ranking equally with a class of shares already on issue is not a variation of class rights.

#### ***Transfer of Shares***

Shareholders may transfer Shares by a written transfer instrument in the usual form or any form approved by the Directors or, while the Company is listed on ASX, Shares can be transferred electronically in accordance with the ASX Settlement Rules and ASX requirements. All transfers must comply with the Constitution, the Corporations Act, the Listing Rules and the ASX Settlement

Rules. The Directors may refuse to register a transfer of Shares, including in circumstances where the transfer is not in registrable form, or the refusal to register the transfer is permitted by the ASX Listing Rules or the Corporations Act. The Directors must refuse to register a transfer of Shares where required to do so by the ASX Listing Rules. The Directors may suspend the registration of a transfer at any time, and for any period, as permitted by the ASX Settlement Rules. Subject to the ASX Listing Rules, Shares are freely transferable.

#### ***Sale of non-marketable parcels***

The Directors may cause the Company to sell a Shareholder's Shares if that Shareholder holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. A non-marketable parcel of Shares is defined in the ASX Listing Rules and is, generally, a holding of Shares with a market value of less than \$500.

#### ***Winding up***

Subject to the Constitution and any special resolution or 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 shares held by them.

#### ***Directors – appointment and removal***

The minimum number of Directors is three and the maximum is fixed by the Directors but may not be more than 11, unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) may hold office beyond the third annual general meeting following the meeting at which they were last elected or re-elected (whichever is later) without Shareholders approving their reappointment.

#### ***Directors – voting***

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairman has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

#### ***Directors' and officers' indemnities***

The Company, on a full indemnity basis and to the full extent permitted by law, indemnifies each person who is or has been an executive officer of the Company or a Director, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine (each an Officer), against any liability (including costs and expenses) incurred by that person as an Officer or a related body corporate of the Company to the extent permitted by law.

The Company, to the extent permitted by law, may insure an Officer against a liability incurred by the Officer as an officer of the Company or any of its related bodies corporate including, but not limited to, a liability for negligence or for reasonable costs or expenses incurred in defending proceedings whether civil or criminal and whatever the outcome.

The Company has entered into deeds of access, indemnity and insurance with each Director which confirm the Directors' right of access to Board papers and require the Company to indemnify the Director for a liability incurred as an officer of the Company or any of its related bodies corporate, subject to the restrictions imposed by the Corporations Act and the Constitution.

#### ***Variation of the Constitution***

The Constitution may be amended only by a special resolution passed by at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution. At least 28 days' written notice specifying the intention to propose the resolution must be given to Shareholders.

## **5.2 Related party transactions**

Other than as disclosed elsewhere in this Prospectus, the Company is not a party to any agreement that would be considered a related party transaction.

## **5.3 Litigation and material disputes**

As at the date of this Prospectus, the Company is not involved in any legal or administrative proceedings and the Directors are not aware of any claim or threatened claim against the Company which may result in material legal proceedings.

#### **5.4 Interests of Directors and promoters**

Other than as set out below or elsewhere in this Prospectus, no Director or promoter of the Company (or entity in which they are a partner or director) has, or has had in the two years before the date of this Prospectus, any interest in:

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

and, other than as set out below or elsewhere in this Prospectus, no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:

- any Director to induce him or her to become or to qualify as a director of the Company; or
- any Director or promoter of the Company (or entity in which they are a partner or director) for services which he or she has provided in connection with the formation or promotion of the Company or the Rights Issue.

The Directors and their related entities have the following interests in the Shares and the Options as at the date of this Prospectus.

Directors' interests include interests they have in Shares registered in the name of other persons. The terms of the Options and Performance Rights granted to the Directors have previously been disclosed to the ASX. The Directors holding Shares will be entitled nominees to participate in the Offer on the same basis as other Eligible Shareholders (except they and their will not be entitled for Additional Shares).

**Table 4: Directors' Interests**

Director	Shares Held Directly or Indirectly	Options Held Directly or Indirectly	Performance Rights
Colin Goodall	280,951 ordinary shares held directly	350,000 unlisted options exercisable at \$0.225 by 11.2.16 (vested)	1,250,000 (unvested)
	774,628 ordinary shares held indirectly	3,500,000 unlisted options exercisable at \$0.225 by 11.2.16 (unvested) 4,200,000 unlisted options exercisable at \$0.30 by 11.2.17 (unvested)	
Neil Young	280,951 ordinary shares held directly	400,000 unlisted options exercisable at \$0.225 by 11.2.16 (vested)	1,400,000 (unvested)
	597,016 ordinary shares held indirectly	3,800,000 unlisted options exercisable at \$0.225 by 11.2.16 (unvested) 5,000,000 unlisted options exercisable at \$0.30 by 11.2.17 (unvested)	
Alexander Downer	14,926 ordinary shares held directly	3,000,000 unlisted options exercisable at \$0.30 by 11.2.17 (unvested)	Nil
David Bamford	44,777 ordinary shares held indirectly	3,000,000 unlisted options exercisable at \$0.30 by 11.2.17 (unvested)	Nil
Jeremy Jebamoney	7,463 ordinary shares held directly	300,000 unlisted options exercisable at \$0.225 by 11.2.16 (vested)	950,000 (unvested)
	726,513 ordinary shares held indirectly	2,200,000 unlisted options exercisable at \$0.225 by 11.2.16 (unvested) 3,300,000 unlisted options exercisable at \$0.30 by 11.2.16 (unvested)	

**5.5 Privacy notification**

By filling out the Entitlement and Acceptance Form to apply for New Shares, you are providing personal information to the Company.

The *Privacy Act* 1988 (Cth) regulates the way the Company collects, uses, disposes, keeps secure and gives people access to their personal information.

The Company collects, holds and uses that personal information in order to process your application and to administer your shareholding in the Company, including:

- setting up and maintaining a register of shareholders in accordance with the Corporations Act;
- paying dividends to you should the Company at a later date declare a dividend;
- communicating with Shareholders, including sending annual reports, notices of meetings and any other documents which the Company wishes to send to you as a Shareholder;

- carrying out general administration including monitoring, auditing, evaluation, modelling data, dealing with complaints and answering queries; and
- complying with its legal and regulatory obligations.

If you do not provide the information requested in the Entitlement and Acceptance Form, the Company may not be able to process or accept your application for New Shares.

Your personal information may be provided to the Company's agents or service providers.

The types of agents and service providers that may be provided with your personal information include:

- the Share Registry for ongoing administration of the share register;
- printers and mail houses for the purposes of preparation and distribution of documents to you and for handling mail; and
- professional service providers such as lawyers, accountants, auditors and other professional advisers for the purpose of administering, and advising on, the New Shares and for any associated actions.

Your personal information may be provided to certain third parties. The types of third parties that may be provided with your personal information, and the circumstances in which your personal information may be disclosed, include:

- your financial adviser or broker (other than your tax file number information) in connection with services provided to you by your adviser or broker;
- government, regulatory authorities or other people when permitted or required by law, such as ASIC or people inspecting the Share register in accordance with the Corporations Act;
- ASX; and
- in certain circumstances and with safeguards to respect your privacy, potential or actual purchasers of an interest in the Company or the Company's business or any part thereof.

You have the right to gain access to your personal information held by, or on behalf of, the Company, subject to certain exemptions under the law. You may be required to pay a reasonable charge in order to access your personal information. You can request access to your personal information by telephoning or writing to the Company Secretary as follows:

AO Energy Limited  
Company Secretary  
15 Bentham Street  
Adelaide SA 5000

Tel: 08 8212 0144

## **5.6 Taxation Implications**

The Company recommends that Eligible Shareholders obtain their own independent taxation advice regarding the possible taxation implications of the Rights Issue.

## **5.7 Interests of advisers**

Other than as set out below or elsewhere in this Prospectus, all persons named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, do not have, and have not had in the two years before the date of this Prospectus, any interests in:

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

and, other than as set out below or elsewhere in this Prospectus, no amounts have been paid or agreed to be paid and no other benefit has been given or agreed to be given to any persons named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, in connection with the formation or promotion of the Company or the Rights Issue.

Johnson Winter & Slattery has acted as Australian legal adviser to the Company in relation to the Rights Issue. Their fees for this work up to the date of lodgement of this Prospectus will be approximately \$15,000. Johnson Winter & Slattery receives further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

## 5.8 Consents to statements in the Prospectus and consents to be named

Johnson Winter & Slattery has given and, at the time of lodging this Prospectus with ASIC, has not withdrawn, its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Rights Issue in the form and context in which it is named.

Link Market Services Limited has given and, at the time of lodging of this Prospectus with ASIC, has not withdrawn, its consent to be named in this Prospectus as Share Registry for the Company in the form and context in which it is named.

Each of Johnson Winter & Slattery and Link Market Services Limited:

- has not authorised or caused the issue of this Prospectus;
- does not make or purport to make, any statement in this Prospectus, or any statement in which a statement in this Prospectus is based, other than as specified above; and
- to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than the reference to their name or as otherwise specified above.

## 5.9 Estimated Costs of the Rights Issue

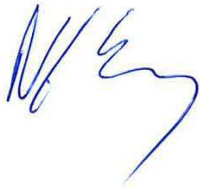
The expenses of the Rights Issue (exclusive of GST) are estimated to be approximately \$67,000 made up as follows:

Expenses	\$
Broker Fees	30,000
Legal	15,000
Printing and postage	10,000
ASX listing fees	10,000
ASIC lodgement fee	2,000
Total estimated costs of Rights	67,000

**6 AUTHORISATION**

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company by:



**Neil Young  
Managing Director  
AO Energy Limited**



## 7 GLOSSARY

In this Prospectus and in the Entitlement and Acceptance Form, unless the context otherwise requires, the following terms have the meanings listed:

<b>Additional Shares</b>	New Shares applied for in addition to the number shown on the Shareholders' Entitlement and Acceptance Form.
<b>Application Monies</b>	The monies received from persons applying for New Shares pursuant to the terms of the Rights Issue.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Associate</b>	Has the meaning given to that term in the Corporations Act.
<b>ASTC Settlement Rules</b>	The Settlement Rules for the ASX Settlement & Transfer Corporation Pty Ltd ABN 49 008 504 532.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange operated by it (as the context requires).
<b>Board</b>	Board of Directors of the Company.
<b>Business Day</b>	Has the meaning given to that term in the Listing Rules.
<b>CHESS</b>	Has the meaning attributed to that term in the ASTC Settlement Rules.
<b>Closing Date</b>	5.00pm Adelaide time on 12 March 2013, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine.
<b>Company</b>	AO Energy Limited ACN 010 126 708
<b>Constitution</b>	The constitution of the Company.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Director</b>	A director of the Company.
<b>Eligible Shareholder</b>	A registered holder of the Company's Shares on the Record Date whose registered address is in Australia or New Zealand.
<b>Entitlement</b>	A Shareholder's entitlement under the Rights Issue to subscribe for New Shares, with one attaching New Option for every one New Share subscribed for and issued.
<b>Entitlement and Acceptance Form</b>	The entitlement and acceptance form accompanying this Prospectus.
<b>Ineligible Shareholder</b>	A Shareholder with an address in the Company register of Shareholders outside Australia and New Zealand, unless the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.
<b>Listing Rules</b>	The listing rules of the ASX.
<b>New Share</b>	A Share offered pursuant to the Rights Issue.
<b>Offer</b>	The offer to Eligible Shareholders to subscribe for New Shares under the Rights Issue.
<b>Offer Shares</b>	New Shares offered pursuant to the Rights Issue.
<b>Option</b>	An option to subscribe for Shares.
<b>Performance Right</b>	A right to be issued for no consideration a Share upon the satisfaction of specified performance

	conditions
<b>Record Date</b>	5.00pm Adelaide time on 21 February 2013.
<b>Rights Issue</b>	A pro rata non-renounceable offer to the Eligible Shareholders to subscribe for 1 New Share at the price of \$0.06 per New Share for every 2 Shares held at the Record Date.
<b>Section</b>	A section of this Prospectus.
<b>Share</b>	A fully paid, ordinary share issued in the share capital of the Company.
<b>Share Registry</b>	Link Market Services Limited.
<b>Shareholder</b>	A shareholder of the Company.
<b>Shortfall</b>	The difference between the total number of New Shares offered under the Offer and the number of New Shares actually applied for by Eligible Shareholders, (including applications for Additional Shares).
<b>Shortfall Offer</b>	The offer of any Shortfall on the terms and conditions set out in section 1.14 of this Prospectus.
<b>Shortfall Shares</b>	Those New Shares offered under the Rights Issue but not applied for by Eligible Shareholders under their Entitlement.
<b>Unvested Options</b>	The Options listed in Table 2 on page 10 which are shown in that table as vested (being Options issued by the Company which are not capable of being exercised as at the Record Date).
<b>Vested Options</b>	The Options listed in Table 2 on page 10 which are shown in that table as vested (being Options issued by the Company which are capable of being exercised prior to the Record Date).

**8 CORPORATE DIRECTORY**

**AO Energy Limited**

ACN 010 126 708

**ASX Code**

AOM

**Board of Directors**

Colin Goodall (Chairman)  
Neil Young (Managing Director)  
The Hon. Alexander Downer (Non-Executive Director)  
David Bamford (Non-Executive Director)  
Jeremy Jebamoney (Executive Director)

**Registered Office**

Ground Floor  
15 Bentham Street  
Adelaide SA 5000

**Tel: +61 8 8212 0144**

**Legal Adviser**

Johnson Winter and Slattery  
Level 9, 211 Victoria Square  
Adelaide SA 5000

**Share Registry**

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

**SCHEDULE 1 – DOCUMENTS LODGED WITH ASX SINCE 26 MARCH 2012****DOCUMENTS LODGED AT ASX SINCE 26 MARCH 2012**

<b>Date</b>	<b>Description</b>
12/02/2013	Reinstatement, General Update and Rights Issue
31/01/2013	Quarterly Activities Report and Cashflow Report
11/01/2013	Securities Trading Policy
11/01/2013	Shareholder Update
20/12/2013	Update on Kazakh Acquisition and Close of Offer
13/12/2013	Extension of Offer Period
05/12/2013	Prospectus
30/11/2012	Investment Agreements for purchase of Kazakh Oil Field Interests
27/11/2012	Consolidation of Capital
26/11/2012	Change of Director's Interest Notice – J Jebamoney
26/11/2012	Change of Director's Interest Notice – N Young
26/11/2012	Change of Director's Interest Notice – C Goodall
26/11/2012	Appendix 3B
16/11/2012	Change of registered office
14/11/2012	Results of Extraordinary General Meeting
14/11/2012	Suspension from Official Quotation
14/11/2012	Suspension from Official Quotation
24/10/2012	Quarterly Activities Report and Cashflow Report
18/10/2012	Capital Consolidation ex-date
18/10/2012	Change of Director's Interest Notice – A Downer
18/10/2012	Change of Director's Interest Notice – D Bamford
18/10/2012	Change of Director's Interest Notice – C Goodall
16/10/2012	Initial Director's Interest Notice – A Downer
16/10/2012	Explanatory Memorandum
16/10/2012	General Meeting
12/10/2012	Appendix 3B
11/10/2012	Appointment of Director – Alexander Downer
08/10/2012	Initial Director's Interest Notice (revised)
05/10/2012	Change of Director's Interest Notice
05/10/2012	Final Director's Interest Notice
05/10/2012	Change of Director's Interest Notice
05/10/2012	Final Director's Interest Notice
05/10/2012	Initial Director's Interest Notice
05/10/2012	Initial Director's Interest Notice
05/10/2012	Company Secretary Appointment
03/10/2012	Changes to Board
26/09/2012	Corporate Presentation
26/09/2012	Acquisition of Rights

25/09/2012	Trading Halt
17/09/2012	Closing of Rights Issue
05/09/2012	Disposal of Subsidiary Company
30/08/2012	Half Year Financial Report
29/08/2012	Rights Issue Offer Booklet
17/08/2012	Rights Issue Cleansing Statement
17/08/2012	Appendix 3B
17/08/2012	Non-Renounceable Issue
10/08/2012	Company Secretary Appointment/Resignation
24/07/2012	Quarterly Activities Report and Cash Flow Report
20/07/2012	Initial Director's Interest Notice x 2
20/07/2012	Final Director's Interest Notice
18/07/2012	Board Changes, Share Placement and Rights Issue
19/06/2012	Change of Director's Interest Notice - SO
25/05/2012	Final Director's Interest Notice
25/05/2012	Changes to Board
25/05/2012	Results of Meeting
02/05/2012	Response to ASX Price Query
26/04/2012	Quarterly Activities Report and Cash Flow Report
24/04/2012	Notice of Annual General Meeting and Proxy Form
13/04/2012	Initial Director's Interest Notice
12/04/2012	Director Appointment