Shale Energy Limited
Prospectus

For an Initial Public Offer of 17,500,000 New Shares at an issue price of 20 cents per New Share to raise $3,500,000 (before costs) with one free attached Option for every two New Shares allotted exercisable at 30 cents on or before 2 years from the date of listing of the Company on the Australian Securities Exchange (“ASX”); and the issue of one free Option for every two Shares held by pre-IPO shareholders exercisable at 30 cents on or before 2 years from the date of ASX listing.

IMPORTANT INFORMATION
This is an important document that includes key risks of investment in shares and should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. *The shares offered by this Prospectus should be considered speculative.*

Important Information

The Initial Public Offer contained in this Prospectus is an invitation by Shale Energy Limited (ACN 128 604 697) (SEL or Company) for you to apply for fully paid ordinary shares in SEL (New Shares). Subscribers to the New Shares will also be issued one free Option for every two New Shares allotted exercisable at 30 cents on or before 2 years from the date of listing of the Company on the ASX. Pre-IPO Shareholders in SEL will also be issued one free Option for every two New Shares held exercisable at 30 cents on or before 2 years from SEL's ASX listing.

This Prospectus is dated 18 November 2014 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

SEL will apply within 7 days after the date of the Prospectus for admission to the official list of ASX and the grant by ASX of official quotation of the Company's shares. No shares will be issued in the 7 days after lodgement of this Prospectus (or 14 days if ASIC extends the period), nor, on the basis of this Prospectus, later than 13 months after the date of this Prospectus.

SEL reserves the right to not proceed with the Offer, to close the Offer earlier than 15 December 2014 or to extend the Offer at any time, in each case without prior notice.

Applications for New Shares may only be made by completing the Application Form accompanying this Prospectus. It is important that you read this Prospectus carefully in its entirety before deciding to invest in the Company.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. Distribution of this Prospectus outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Applications can only be made by completing the Application Form in full, in accordance with instructions contained on the reverse of the Application Form.

In particular, the New Shares have not been, and will not be, registered under the United States Securities Act of 1933 (US Securities Act) or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. Person unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and the provisions of any applicable United States state securities laws are available. Refer to Section 3.19-3.22 for more detail on selling restrictions that apply to the Offer and sale of New Shares in jurisdictions outside of Australia.

GLOSSARY

Defined terms and abbreviations included in the text of this Prospectus have the meanings defined in the Glossary in Section 15.

All references to time are to the time in Sydney, New South Wales.

CURRENCY

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. The Offer may involve a currency exchange risk. Information in relation to the risks associated with exchange rates is set out in Section 12.1.

EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of seven (7) days from the date of this Prospectus. In certain circumstances, this period may be extended by ASIC by up to a further seven (7) days. The Company may also seek an extension of this Exposure Period from ASIC under section 727(3) of the Corporations Act.

This Prospectus will generally be made available during the Exposure Period. The purpose of providing an Exposure Period is to enable examination of this Prospectus by market participants prior to the raising of funds. The Company is prohibited from accepting Applications during the Exposure Period. Applications received during the Exposure Period will receive no priority and will not be processed until after the Exposure Period, when they will be treated as having been received simultaneously on the Opening Date. A paper copy of this Prospectus will be made available to Australian residents upon request during the Exposure Period.

The Prospectus (without the Application Form) may also be viewed online at www.shaleenergy.com.au/prospectus during the Exposure Period. After the Exposure Period, the Prospectus with an accompanying Application Form may be viewed online at www.shaleenergy.com.au/prospectus1. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for New Shares under the Offer may only be made on the Application Form attached to or accompanying this Prospectus in its paper copy form, or in its electronic form as downloaded in its entirety from the Company's website at www.shaleenergy.com.au. Photocopies of an Application Form will not be accepted. By making an Application, you declare that you were given access to the Prospectus together with an Application Form.

ELECTRONIC PROSPECTUS

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

An electronic copy of this Prospectus may be viewed, accessed and downloaded from the Company's website www.shaleenergy.com.au. There is no facility for online applications. 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 wish to receive a hard copy or further electronic copy of the Prospectus or both please contact SEL who will send you, free of charge, either a printed or electronic version of this Prospectus (or both).

NOTE TO APPLICANTS

This Prospectus provides information for investors who wish to invest in SEL. The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation and particular needs of investors.

It is important that you read this Prospectus in its entirety before deciding to invest in the Company and in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of SEL and the rights and liabilities attaching to the New Shares.

The Company is at an early stage of its development. Accordingly there are significant risks associated with investing in the Company. In considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company, and carefully consider these factors in the light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional guidance from your broker, solicitor, professional adviser or accountant before deciding whether to invest. Some risk factors that investors should consider are outlined in Section 2 and Section 12. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objective of the Company will be achieved or that any particular performance of the Company or of its shares, including those offered by this Prospectus, will be achieved. **The New Shares offered under this Prospectus should be considered speculative.**

This Prospectus includes information regarding the past performance of SEL. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward looking statements which are identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place. You should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements.

These risks, variables and factors include, but are not limited to, the risks described in Section 12 and summarised in the Investment Overview (Section 2). SEL gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved and investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in the Prospectus, except where required by law.

DISCLAIMER

No person is authorised to give any information or to make any representation in connection with the Offer and issue of the New Shares described in this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company, its Directors, their advisers or any other person in connection with the Offer.

PRIVACY

The privacy obligations and policy relating to this Prospectus are contained in the privacy disclosure statement in Section 3.18.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus are for illustration purposes only and should not be interpreted to mean that any person shown in them endorses the Prospectus or its contents unless stated otherwise. Similarly, any assets depicted in the photographs, such as transportation, vehicles, equipment, buildings or other property are not necessarily assets that are owned or used by the Company and have been included for presentation and illustrative purposes unless stated otherwise. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at the Prospectus Date.

FINANCIAL INFORMATION

Section 8 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of the financial information is also set out in Section 8. Financial amounts expressed in this Prospectus are in Australian dollars unless otherwise indicated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

COMPANY’S WEBSITE

Any references to documents included on the Company’s website are provided for convenience only, and none of the documents or other information on the website is incorporated in this Prospectus by reference unless specified in this Prospectus.

QUESTIONS

If you have any questions in relation to the Offer, please contact SEL on 02 9223 2497 between 9.00am and 5.00pm (AEDT) Monday to Friday..

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JIAREN INVESTMENT

Key Dates and Offer Statistics

The Initial Public Offer

Number of New Shares offered under this Prospectus	17,500,000
Number of shares held by pre-IPO Shareholders	22,257,237
Total number of shares on issue at Completion of the Initial Public Offer	**39,757,237**
Gross proceeds of the Initial Public Offer (before costs)	$3,500,000
Price per New Share	20 cents
Indicative market capitalisation of the Company	**$7,951,447**
Options	
Free Options offered under this Prospectus to be issued and allotted on completion of the Initial Public Offer*	19,878,619
• *Pre-IPO Shareholders in SEL*	
• *Subscribers to New Shares*	
Maximum Number of Broker Options*	3,000,000
Total number of options on issue at Completion of the Initial Public Offer #	**22,878,619**

*All options will be issued and allotted on completion of the Initial Public Offer for nil consideration and exercisable at 30 cents on or before 2 years from the date of SEL's listing on ASX.

Note: A total of up to 5,600,000 Management Performance Options may be issued to the Managing Director & CEO and the Chief Operating Officer. The issue of these Management Performance Options is conditional on the satisfaction of specified share price hurdles on or before 2 years from the date of SEL's listing on ASX. Full details of the terms and conditions of the Management Performance Options are contained in Section 14.5.

Important Dates[1]

Date of this Prospectus	18 November 2014
Opening Date of the Initial Public Offer	25 November 2014
Closing Date of the Initial Public Offer	15 December 2014
Allotment of New Shares (Completion of the Initial Public Offer)	17 December 2014
Allotment of Free Options and Broker Options	17 December 2014
Expected dispatch of holding statements (Shares and Options)	19 December 2014
Anticipated date of trading of Shares listed for quotation on ASX	22 December 2014

[1] These dates are indicative only and may change. Unless indicated, all times are Sydney times. The Offer will open on the Opening Date and will remain open until 5.00pm (AEDT) on the Closing Date subject to the right of the Company to vary the dates and times of the Offer, including, to either close the Offer at an earlier time and date or to extend the closing time and date or accept late applications either generally or in particular cases, without prior notice. Applicants are encouraged to submit their Applications as soon as possible after the Offer opens.

How To Invest

Applications for New Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

1: Chairman's Letter

Dear Investor,

On behalf of the Board of Directors, I am pleased to invite you to become a Shareholder in Shale Energy Limited (SEL or the Company).

SEL is an Australian-based oil and gas company that was incorporated in 2007 to establish a presence in the energy industries of the United States, Australia and Asia. In recent years, SEL has focused upon establishing a presence in the onshore shale oil and gas industry of the United States. This industry has undergone a transformation over the past 5 years as the ramp-up of unconventional onshore drilling and production activity (through the use of hydraulic fracturing techniques) has facilitated dramatic growth in oil and gas production.

SEL operates in the United States shale oil industry through its interests in four oil and gas leases in North Dakota's Bakken/Three Forks region which lies within the Williston Basin (Leases). These lease interests are held by SEL's wholly owned United States subsidiary, Sustainable Australasia USA LLC.

The Company has adopted a model whereby it acquires relatively small interests in leases which are operated by major oil industry participants (and not SEL). At the date of this Prospectus, SEL is deriving revenue from three oil and gas producing wells at the Leases.

SEL's shale oil and gas lease interests

SEL (through Sustainable Australasia USA LLC) holds a total of 99.87376 net acres within four oil and gas leases.

Hawkeye Lease (McKenzie County, North Dakota) is a 1,150.72 acre Lease Unit of which SEL has a 34.5232 net acre* interest. This lease is operated by EOG Resources, Inc. (EOG), a New York Stock Exchange listed corporation and one of the largest players in the United States shale oil industry. One well was completed and commenced production in May 2013.

North Dakota Industrial Commission (NDIC) order number 24677 of 29th May 2014 granted EOG permission to develop up to 28 wells to drain the Middle Bakken and Three Forks formations on the Hawkeye Lease (the EOG Permits). The additional 27 wells are currently scheduled to commence drilling during the September 2015 quarter. After contributing its proportion of capital expenditure for a selection of these scheduled new wells (approximately US$1.625 million for 5 wells), SEL anticipates that its share of oil production and net revenue from the Hawkeye Lease will increase substantially into 2016 and 2017

Yauch Lease (McKenzie County, North Dakota) is a 1,280 acre Lease Unit of which SEL has a 25 net acre* interest. The Yauch Lease is operated by Sinclair Oil and Gas Company (Sinclair), a division of Sinclair Oil Corporation, which is a major privately owned fully integrated oil and gas company. One well on this lease has been in production since late June 2014.

Horovitz Lease (McKenzie County, North Dakota) is a 1,280 acre Lease Unit of which SEL has a 20.3506 net acre* interest. The Horovitz Lease is also operated by Sinclair. In early 2015, SEL will contribute its share of capital expenditure (approximately US$161,000) to participate in the first well on this lease which commenced drilling in October 2014.

Dorothy Lease (Divide County, North Dakota) is a 1,280 acre Lease Unit of which SEL has a 20 net acre interest. The Dorothy Lease is operated by SM Energy Corporation, a New York Stock Exchange listed corporation and a sizeable participant in the United States shale oil industry. One well on this lease was completed and commenced production in July 2014.

*SEL's Net Revenue Interest in each of its net acreage holdings is 78% (i.e. after mineral owner royalties are deducted).

An Independent Geologist's Report by Neset Consulting Service (located in Tioga, North Dakota) has indicated that gross estimated recoverable 1P Proven Reserves are in place at the four leases totalling 11.8 million barrels of oil (SEL's Net 1P Reserves: 253,244 barrels) while gross estimated recoverable 2P (Proven and Probable) Reserves amount to 17.14 million barrels of oil (SEL's Net 2P Reserves: 371,452 barrels) (refer to Section 10 for Neset's full report).

SEL's Strategy

The Company is le d by an experienced Board which aims to create value for Shareholders by leveraging its relationships and knowledge in the United States oil and gas industry and utilising the skills and experience of the management team. SEL's strategy encompasses:

Participation in approximately 5 of the 27 wells currently scheduled to be drilled and completed by EOG at the Hawkeye Lease in the September 2015 quarter. The anticipated drilling and completion of these additional 27 wells would lead to a significant ramp up in oil and gas production at the Hawkeye Lease. SEL currently intends to participate in approximately 5 wells by contributing its share of capital expenditure which will be approximately US$1.62 million (US$324,000 per well). This will be funded by part of the Initial Public Offer proceeds. In addition, SEL may further utilise its existing US$2 million credit facility with BancFirst (located in Oklahoma, United States) to participate in a selection of the other 22 scheduled new wells.

Evaluating opportunities to acquire further shale oil and gas lease interests in the United States. SEL has established relationships and networks within the United States shale oil and gas industry. Our Chief Operating Officer, Margaret Prestidge, is based in Oklahoma. SEL anticipates that further opportunities will arise to acquire small interests in leases located in United States shale oil and gas regions (up to 50 net acres). The Company only evaluates lease interests which are operated by significant and established oil industry participants. It does not intend to operate any leases itself.

Evaluating participation in any further wells which are drilled on the Dorothy, Yauch and Horovitz Leases. In the event that SM Energy or Sinclair successfully applies to drill further wells (at the Dorothy Lease and Yauch and Horovitz Leases respectively), SEL would evaluate the potential return on investment of such wells. If they satisfy the requisite return on investment criteria, SEL would endeavour to partake by contributing its requisite portion of capital expenditure.

The Offer to investors

This Prospectus contains details of an Initial Public Offer of 17,500,000 New Shares in SEL at a price of 20 cents each. Subscribers to the Initial Public Offer will also be allotted one free Option for every two New Shares allotted exercisable at 30 cents on or before 2 years from the date of listing of the Company on the ASX. Pre IPO shareholders in SEL will also be allotted one free Option for every two Shares held on completion of the IPO on the same terms (i.e. exercisable at 30 cents on or before 2 years from the ASX listing date). All of the free Options will be issued and allotted upon completion of the Initial Public Offer.

We recommend that you read this document carefully in its entirety, in particular the investment risks (Section 12) and, if you are interested in investing in the Company, seek independent professional advice. As a result of the number of different nature of the various risks an investment in SEL should be considered speculative.

We believe this is a unique opportunity to invest in a company which has exposure to the United States shale oil industry through interests in a portfolio of non-operated leases which are generating revenue. Moreover, SEL is positioned to derive increased revenue from the Hawkeye Lease as our planned participation in ~5 new wells in the September 2015 quarter will enhance our share of production.

On behalf of the Board of Directors, I commend an investment in SEL to you and look forward to welcoming you as a Shareholder.

Yours faithfully,

Dr Richard Haren
Chairman
18 November 2014

2: Investment Overview

2.1 Important notice

This information is a selective overview only. Investors should read the Prospectus in full before deciding whether to invest in New Shares. In particular investors should consider the risk factors that could affect the financial and operating performance of the Company.

2.2 Frequently Asked Questions

Question	Answer	Section
A. Introduction		
Who is the issuer of the Prospectus?	Shale Energy Limited (**SEL** or the **Company**)	4.1, 4.2, 14.1
What is the Initial Public Offer?	The Initial Public Offer is a public offering in Australia of 17,500,000 New Shares in SEL. Subscribers to the Initial Public Offer will be allotted one free Option for every two New Shares allotted exercisable at 30 cents on or before 2 years from the date of listing of the Company on the ASX. Pre IPO Shareholders in SEL will also be allotted one free Option for every two Shares held on completion of the Initial Public Offer on the same terms (i.e. exercisable at 30 cents on or before 2 years from the ASX listing date). All of the free Options will be issued and allotted upon Completion of the Initial Public Offer.	3.1
Why is the Initial Public Offer being conducted?	SEL is conducting the Initial Public Offer to raise funds to: • facilitate SEL's participation in approximately 5 new wells at the Hawkeye Lease (within the Bakken/Three Forks region in North Dakota, United States) which are currently scheduled to be drilled, completed and commence production in the September 2015 quarter, as described in this Prospectus; • provide financial flexibility to pursue potential shale oil and gas opportunities in the United States, as they may present themselves; • provide sufficient general working capital; and • to allow the Company shares to be listed on the ASX. In conjunction with the Offer, SEL is seeking admission to the official list of ASX and quotation for its ordinary shares.	3.6
What is SEL?	SEL is an Australian-based oil and gas company which was incorporated in 2007 to establish a presence in the energy industries of the United States, Australia and Asia. In recent years, SEL has focused upon establishing a presence in the onshore shale oil and gas industry of the United States. At the date of this Prospectus, SEL operates in the United States shale oil industry through its interests in four oil and gas leases in North Dakota's Bakken/Three Forks region which lies within the Williston Basin (Leases). SEL (through its wholly owned United States subsidiary, Sustainable Australasia USA LLC) holds a total of 99.87376 net acres within these Leases. Maps of the Bakken/Three Forks region and the locations of the Leases are contained in Section 4.2. References in this Prospectus to acreage or land held or acquired by SEL are references to leasehold interest.	4.1, 4.2

Question	Answer	Section
B. Key features of the SEL business model and strategy		
Where are SEL's oil and gas leases located and what are their key features?	Hawkeye Lease (McKenzie County, North Dakota) is a 1,150.72 acre Lease Unit of which SEL has a 34.5232 net acre* interest. This lease unit is operated by EOG Resources, Inc. (EOG), a New York Stock Exchange listed corporation and one of the largest players in the United States shale oil industry. One well was completed and commenced production in May 2013. The EOG Permits enable EOG to drill and complete a further 27 wells within this Lease Unit and these wells are currently scheduled to commence drilling during the September 2015 quarter. After contributing its proportion of capital expenditure for a selection of these scheduled new wells (approximately US$1.625 million for 5 wells), SEL anticipates that its share of oil production and net revenue from the Hawkeye Lease will increase substantially in late 2015 and into 2016. Yauch Lease (McKenzie County, North Dakota) is a 1,280 acre Lease Unit of which SEL has a 25 net acre* interest. The Yauch Lease is operated by Sinclair Oil and Gas Company (Sinclair), a division of Sinclair Oil Corporation, which is a major privately owned fully integrated oil and gas company. One well on this lease has been in production since late June 2014. Horovitz Lease (McKenzie County, North Dakota) is a 1,280 acre Lease Unit of which SEL has a 20.35066 net acre* interest. The Horovitz Lease is also operated by Sinclair. In early 2015, SEL will contribute its share of capital expenditure (approximately US$161,000) to participate in the first well on this lease which commenced drilling in October 2014. Dorothy Lease (Divide County, North Dakota) is a 1,280 acre Lease Unit of which SEL has a 20 net acre interest. The Dorothy Lease is operated by SM Energy Corporation, a New York Stock Exchange listed corporation and a sizeable participant in the United States shale oil industry. One well on this lease was completed and commenced production in July 2014. *SEL's Net Revenue Interest in each of its net acreage holdings is 78% (i.e. after mineral owner royalties are deducted). An Independent Geologist's Report by Neset Consulting Service (located in Tioga, North Dakota) has indicated that gross estimated recoverable 1P Proven Reserves are in place at the four leases totalling 11.8 million barrels of oil (SEL's Net Revenue Interest: 253,244 barrels) while gross estimated recoverable 2P (Proven and Probable) Reserves amount to 17.14 million barrels of oil (SEL's Net Revenue Interest: 371,452 barrels) (refer to Section 10 for Neset's full report).	4.3 4.5 4.6 4.4 10
How do the Operators of the Leases produce oil and gas from onshore wells?	Production from the wells at the Leases occurs through the use of hydraulic fracturing (or 'fracking'). It is a process in which pressurised fluid is pumped into underground formations to create tiny fractures or spaces that allow crude oil and natural gas to flow from the reservoir into the well so that it can be brought to the surface. Hydraulic fracturing technology has been used in the United States oil and gas industry for more than 60 years and is constantly enhanced. It enables the Operators (EOG, SM Energy and Sinclair) to produce crude oil and natural gas from the Bakken/Three Forks formations that would otherwise not be recovered.	5.5

2.2 Frequently Asked Questions *cont...*

Question	Answer	Section
B. Key features of the SEL business model and strategy *cont...*		
What production activity is planned at the Leases?	In October 2014, Sinclair, the operator of the Horovitz Lease, commenced drilling the first well on this lease. In early 2015, SEL will contribute its share of capital expenditure (approximately US$161,000) to participate in this first well.	4.6
	At the Hawkeye Lease, a further 27 wells have been permitted by the North Dakota Industrial Commission and are planned to be drilled and completed by the lease operator, EOG, and to come into production through late 2015 and into mid 2016.	4.3.6
	Under the leasing regime in North Dakota, the Operators of the Leases must invite SEL to participate in each of their permitted new wells. SEL can then elect to participate. In other words, SEL is not obligated to contribute its share of capital expenditure for any new well (calculated pursuant to its Working Interest in the Lease). If SEL elects not to participate in any given new well, it will not receive net revenue (in accordance with its Net Revenue Interest) in that new well. However, under this scenario, SEL does not forfeit its right to participate in other new wells on the relevant Lease.	
	SEL intends to contribute capital expenditure for approximately 5 of the new wells at the Hawkeye Lease in accordance with its working interest in the Lease (3%) which will be in the order of US$324,000 per well (US$1.62 million in total). This will be funded by part of the proceeds of the Initial Public Offer. In addition, SEL may further utilise its existing US$2 million credit facility with BancFirst (located in Oklahoma, United States) to participate in a selection of the other 22 scheduled new wells. SEL may also sell (assign) any proportion of its rights to participate to third parties.	
	The anticipated drilling and completion of these additional permitted wells would lead to a significant ramp up in oil and gas production at the Hawkeye Lease. In turn, SEL's share of oil and gas sales revenue from this Lease (via participation in a total of ~5 of the new wells in addition to the existing well) is expected to increase substantially in late 2015 and into 2016.	
	EOG is also continually improving its drilling techniques to decrease well spacing and optimise oil recovery rates and efficiencies, as are the other Operators (SM Energy and Sinclair).	
	At the date of this Prospectus, Sinclair and SM Energy have not submitted applications to drill any additional wells at the Yauch and Horovitz Leases and Dorothy Lease respectively.	4.4, 4.5
	However, it is possible they will apply to drill additional wells on these acreages in the next 12 months (based on the oil and gas reserves which are present on these leases). In turn, if such applications were successful, SEL could elect to participate.	4.6
What are the key features of SEL's strategy?	SEL's strategy encompasses:	
	• Participation in ~5 of the 27 wells currently scheduled to be drilled and completed by EOG at the Hawkeye Lease in the September 2015 quarter by contributing its share of capital expenditure which will be approximately US$1.62 million (US$324,000 per well). This will be funded by part of the Initial Public Offer proceeds. In addition, SEL may further utilise its existing US$2 million BancFirst credit facility to participate in a selection of the other 22 scheduled new wells. SEL's well selection will be based on return on investment criteria and available geological information. SEL's current preference is to participate in those wells which will recover oil and gas from the Middle Bakken formation (within the Bakken/Three Forks region) ahead of those wells targeting oil and gas in the deeper Three Forks formation (as drilling and production from the Three Forks is in a relatively early stage of development).	4.3.6

Question	Answer	Section
B. Key features of the SEL business model and strategy *cont...*		
	• Evaluating opportunities to acquire further shale oil and gas lease interests in the United States. SEL has established relationships and networks within the United States shale oil and gas industry. Our Chief Operating Officer, Margaret Prestidge, is based in Oklahoma. SEL anticipates that further opportunities will arise to acquire small interests in leases located in United States shale oil and gas regions (up to 50 net acres). The Company only evaluates lease interests which are operated by significant and established oil industry participants. It does not intend to operate any leases itself.	4.7
	• Evaluating participation in any further wells which are drilled on the Dorothy, Yauch and Horovitz Leases. In the event that SM Energy or Sinclair successfully applies to drill further wells (at the Dorothy Lease and Yauch and Horovitz Leases respectively), SEL would evaluate the available geological information and the potential return on investment of such wells. If they satisfy the requisite criteria, SEL would endeavour to partake by contributing its requisite portion of capital expenditure.	4.4, 4.5, 4.6
What are SEL's key investment attributes?	The Directors believe the key investment attributes of SEL's investment case are: • Interests in a portfolio of four shale oil and gas lease in the attractive Bakken/Three Forks region of the United States. • An operating model whereby SEL acquires relatively small interests (up to 50 net acres) in leases which are operated by major oil industry participants (and not SEL). • As some of the largest players in the US shale oil industry, the Operators (EOG, SM Energy and Sinclair) bring experience, efficiency, transport infrastructure and drilling technology to their operation of the Leases. The current benefits which SEL derives include sound management of capital expenditure on new wells, increased oil recovery rates through advancements in horizontal drilling and hydraulic fracturing technology (e.g. reduced well spacing) and ongoing development of oil and gas transportation infrastructure in North Dakota. • At the date of this Prospectus, SEL is deriving net revenue from three oil and gas producing wells at the Leases. Once the first well at the Horovitz Lease has been completed (drilling commenced in October 2014), there will be one producing (and net revenue generating) well on each of the four Leases. • The Hawkeye, Yauch, Horovitz and Dorothy Leases are "Held by Production". In other words, these leases will not expire while production continues from at least one well on each respective lease. • SEL plans to participate in ~5 of the permitted new wells at the Hawkeye Lease in the September 2015 quarter which is expected to facilitate a sizeable uplift in net revenue to SEL in late 2015 and into 2016. • The leasing regime in North Dakota provides SEL with some financial flexibility. The Operators must invite SEL to participate in each permitted new well on the Leases. SEL can then make an election (i.e. SEL is not obligated to contribute its share of capital expenditure for any new well). If SEL elects not to partake, it will not receive a share of net revenue from that new well. However, SEL does not forfeit its right to participate in other new wells on the relevant Lease. • The possibility that the operators of the Dorothy, Yauch and Horovitz Leases will apply to drill additional wells on these acreages in the next 12 months (based on oil and gas reserves which are present) which would, in turn, enable SEL to elect to participate.	4

2.2 Frequently Asked Questions *cont...*

Question	Answer	Section
B. Key features of the SEL business model and strategy *cont...*		
What are SEL's key investment attributes?	• An Independent Geologist's Report has indicated that gross estimated recoverable 1P Proven Reserves are in place at the four Leases totalling 11.8 million barrels of oil (SEL's Net Revenue Interest: 253,244 barrels) while gross estimated recoverable 2P (Proven and Probable) Reserves amount to 17.14 million barrels of oil (SEL's Net Revenue Interest: 371,452 barrels). • SEL was a relatively early entrant to the United States shale oil and gas industry which the Directors believe provides some competitive advantage to SEL as it has established relationships with various industry participants. In turn, SEL is regularly presented with opportunities to acquire further interests in oil and gas leases in the Bakken/Three Forks region or in other shale oil regions in the United States. For instance, the Horovitz Lease interest was acquired very recently (in October 2014). • SEL's Directors have track records in managing and developing public companies, including in the oil and gas and resources industries. The senior management team members are experienced in the management of oil and gas companies. • The Initial Public Offering proceeds will fully fund SEL for its planned work program, including associated corporate overheads, for approximately two years. • Ability to further utilise a US$2 million credit facility with BancFirst (approximately US$400,000 is drawn at the date of this Prospectus) to facilitate participation in selected new wells and/or further potential acquisitions of small lease interests.	4
C. Key Initial Public Offer statistics		
What is the size of the Initial Public Offer and what are the gross proceeds of the Offer?	The Company is offering a minimum of 17,500,000 New Shares in the Company at a subscription price of 20 cents per New Share, to raise total of $3,500,000 before associated costs of the Initial Public Offer. Subscribers to the Initial Public Offer will also be allotted one free Option for every two New Shares allotted exercisable at 30 cents on or before 2 years from the date of listing of the Company on the ASX. Pre IPO shareholders in SEL will also be allotted one free Option for every two Shares held on completion of the IPO on the same terms (i.e. exercisable at 30 cents on or before 2 years from the ASX listing date). All of the free Options will be issued and allotted upon completion of the Initial Public Offer.	3.1
What is the minimum amount of the Initial Public Offer?	$3,500,000 is the minimum amount of the Offer. If the minimum subscription amount has not been raised within 3 months of the date of this Prospectus, all Applications will be dealt with in accordance with the Corporations Act.	3.2
What will be the market capitalisation of the Company at the Offer Price?	The market capitalisation of the Company will be approximately $7,951,447 based on the 20 cent Offer Price.	3.7
How does the Company intend to apply the monies raised from the IPO?	The funds to be raised by the Offer will be $3,500,000. The Company intends to use these funds follows: • $2,518,081 the US operations including its expected capital expenditure contributions to ~5 of the new wells at the Hawkeye Lease and the potential acquisition of further interests in shale oil and gas leases in the United States; • $397,111 of cash costs associated with this Initial Public Offer; and • $584,808 working capital and corporate costs.	3.8

Question	Answer	Section
C. Key Initial Public Offer statistics *cont...*		
What are the financial aspects of the Company?	• The Company intends to apply the funds raised from the Offer as described in the Answer immediately above over the next two years.	3.8
	• The uncertainty surrounding operating in the oil and gas industry may require the Company to contribute additional capital expenditure or working capital for wells at the Leases above what is allocated in the Company's budgets.	12
	• Full details of the Company's historical financial performance is containing in Section 8. Investors should be aware that past performance should not be relied upon as being indicative of future performance.	8
	• The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company in light of uncertainty as to timing and outcome of the Company's growth strategies. 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.	3.25
D. Key Risks		
Summary	Potential investors should be aware that there are risks associated with investing in SEL. Certain risks are beyond the control of SEL and its Directors and management and may have a material adverse effect on SEL's future operating and financial performance, and/or the financial position of SEL, its prospects and/or the value of the Shares. There are risks associated with investing in the share market generally and in SEL specifically. An investment in SEL and the objectives the Company is attempting to achieve are considered high risk. Please refer to Section 12 of this Prospectus where these risks are outlined in greater detail, however, listed below are, in the Directors' opinions, the key risks associated with this investment.	12
Oil and gas prices	A substantial or extended decline in oil or gas prices could have a material and adverse effect on SEL. SEL's revenue from its oil and gas lease interests depend to a significant extent on the prevailing prices for crude oil and natural gas obtained by EOG, SM Energy and Sinclair. Oil and natural gas prices have been volatile and this volatility is expected to continue. This reflects the many uncertainties that can or could cause these price fluctuations including: the level of consumer demand; worldwide supplies of crude oil and natural gas; the price and quantity worldwide imported and exported crude oil and natural gas; weather conditions; regional and US drilling activity; the availability, proximity and capacity of related infrastructure and refining facilities; worldwide economic and political conditions; the price and availability of, and demand for, competing energy sources; the nature and extent of governmental regulation and taxation; and the level and effect of trading in commodity futures markets.	12.1
Additional Requirements for Capital	SEL believes that on completion of the Offer it will have sufficient working capital to carry out the objectives in this Prospectus over a 24 month period. The funding of any further investments in oil and gas leases beyond those set out in this Prospectus during this 24 month period or beyond will depend upon a number of factors including the extent of the Company's ability to generate income via SAU LLC, and the extent to which such income is re-invested in the United States operations, which the Company cannot forecast with any certainty.	12.1

2.2 Frequently Asked Questions *cont…*

Question	Answer	Section
D. Key Risks *cont…*		
Additional Requirements for Capital *cont…*	Any additional equity financing will be dilutive to Shareholders, and debt financing (through the BancFirst credit facility), involves some restrictions on financing and operating activities. If the Company is unable to obtain additional financing if and as needed, it may not be able to take advantage of opportunities or develop its interests in oil and gas leases. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.	12.1
Drilling Risk	SEL's anticipated investment (through SAU LLC) in new oil and gas wells at the Leases involves numerous drilling risks, including the risk that the Operators may not encounter commercially productive oil and gas reserves. Consequently, SEL is subject to the risk of lack of recoverability of all or any portion of its capital expenditure investment in each new well. In particular, SEL cannot be completely certain as to the future cost or timing of EOG's drilling and completion of the new wells which have been approved by the NDIC. Furthermore, any of the Operators' drilling operations may be curtailed, delayed or cancelled, the cost of such operations may increase and/or production results at the Leases and net revenue from them may be impacted as a result of a variety of factors including: (1) unexpected drilling conditions; (2) title problems; (3) pressure or irregularities in formations; (4) equipment failures or accidents; (5) adverse weather conditions; (6) compliance with, or changes in, relevant laws and regulations; (7) the availability and timely issuance of required governmental permits and licenses; (8) the availability of and costs associated with arrangements for related infrastructure; and (9) the costs of, or shortages or delays in the availability of necessary equipment, materials, supplies and services including drilling rigs, hydraulic fracturing services, water, sand, disposal facilities and qualified personnel. SEL's failure to recover its investment in any new wells on the Leases, increases in the costs the Operators' drilling operations, and/or curtailments, delays or cancellations of drilling operations may materially and adversely affect SEL's financial condition and results of operations.	12.1
Currency Fluctuations	SEL's wholly owned subsidiary, SAU LLC, is located in the United States and has a US dollar functional currency. SEL must translate SAU LLC's assets, liabilities, revenues and expenses into Australian dollars at then applicable exchange rates to prepare its consolidated financial statements. Consequently, increases and decreases in the value of the Australian dollar versus the US dollar will affect the amount of these items in SEL's consolidated financial statements, even if the amount has not changed in the original currency. These translations could result in changes to SEL's results of operations from period to period.	12.1
Third Party Operators of the Leases	The Hawkeye Lease is operated by EOG, the Dorothy Lease is operated by SM Energy and the Yauch and Horovitz Leases are operated by Sinclair. As a result, SEL (via SAU LLC) has limited ability to influence or control the operation or future development of the Leases, including compliance with environmental and other regulations, or, once SEL has elected to participate in any new well, any variances in the amount of capital expenditure that SEL will ultimately be required to fund for each such new well relative to expectations. In addition, the extent to which the Operators successfully and economically operate the Lease wells is a risk for SEL. The Operators could decide to shut-in or curtail production from wells, or plug and abandon marginal wells during periods of lower oil or gas prices. These limitations and SEL's dependence on the Operators could cause SEL to incur unexpected future costs, receive lower revenue from lower production levels and materially and adversely affect SEL's financial condition and results of operations.	12.1

Question	Answer	Section
D. Key Risks *cont...*		
Third Party Operators of the Leases ***cont...***	More specifically, the major risk factors pertaining to the Operators' operation of the Lease wells are continued success in selling production from the wells; optimisation of reserve recovery and economic development of the wells; their ability to achieve anticipated production levels from the wells in light of the risks and uncertainties and capital expenditure requirements inherent in operating wells and the potential for interruptions of production; the availability, cost, terms and timing of issuance or execution of NDIC and other governmental permits; competition in the Bakken/Three Forks region for employees and other personnel, equipment, materials and services; the continued availability, proximity and capacity of, and reasonably low costs associated with the Operators' infrastructure; weather; and government policies, laws and regulations.	12.1
New oil and gas leases	The extent to which SEL (via SAU LLC) is successful in its efforts to acquire interests in other shale oil and gas leases in the United States will reflect factors including the availability, cost, terms and timing of issuance or execution of, and competition for, interests in oil and gas leases. SEL will be competing with major integrated oil and gas companies, and other independent companies for the acquisition of such interests. Many of these competitors have financial and other resources substantially greater than those of SEL. When SEL seeks to acquire interests in oil and gas leases, it performs reviews in a manner it considers to be appropriately diligent and consistent with industry practices. However, reviews of records, leases and properties may not necessarily reveal existing or potential problems, nor may they permit SEL to become sufficiently familiar with the properties in order to assess fully their deficiencies and potential.	12.1
Production Decline Risk	The rate of production from oil and gas properties generally declines as reserves are produced. Except to the extent that the Operators conduct successful exploration and development activities at the Leases, or SEL (via SAU LLC) acquires interests in additional properties containing reserves, SEL's share of reserves on the Leases will decline over time as they are produced (over approximately 12-15 years for the Lease wells). Maintaining SEL's interest in production of oil and gas at, or increasing it from current levels, is therefore highly dependent upon SEL's level of success in acquiring or the Operators finding additional reserves, which could in turn impact SEL's future cash flows and results of operations.	12.1
Oil and Gas Reserves Estimates Risk	SEL has utilised estimates of proved oil and gas reserves prepared by Neset Consulting, an independent geologist, to determine SEL's interests in reserves at the Leases (refer to Section 10). The process of estimating quantities of proved oil and gas reserves is complex and inexact, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reservoir. The data for a given reservoir may also change substantially over time as a result of numerous factors including, but not limited to, additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. Consequently, material revisions (upward or downward) to existing reserve estimates may occur from time to time which could lead to the reassessment of the viability of production at the Leases.	12.1
Government policies, laws and regulations	Taxation. Legislation has been proposed that would, if enacted, make significant changes to United States tax laws, including the elimination of certain US federal income tax incentives currently available to oil and gas exploration and production companies. The enactment of such changes could materially and adversely affect SAU LLC's revenue and cash flows. Foreign-based and owned companies. As SAU LLC is a wholly owned subsidiary of SEL, it may be adversely affected by United States laws and policies governing operations of foreign-based companies.	12.1

2.2 Frequently Asked Questions *cont...*

Question	Answer	Section
D. Key Risks *cont...*		
Government policies, laws and regulations *cont...*	Oil & gas industry regulation. United States legislation affecting the oil and gas industry is under constant review for amendment or expansion. Hydraulic Fracturing. There have been various proposals to regulate hydraulic fracturing at the federal level which could result in additional permitting and disclosure requirements and additional operating restrictions. In addition, some state and local governments have imposed or have considered imposing various conditions and restrictions on drilling and completion operations. Environmental Regulation. The Operators are subject to various federal, state and local laws and regulations covering the environment which affect its operations at the Leases. Failure to comply may result in penalties, including the suspension or revocation of necessary permits, licenses and authorisations.	12.1
General risk factors	Prospective investors should also consider the following risks which apply to all investments in shares: • Investment risks, such as changes in the Company's own assessment of the economics of developing its assets or the market perception of the value of SEL's assets and shares. • Share market and liquidity risks involved in the listing and trading of shares on the ASX (for instance, (1) there is no guarantee that an active market for the Shares will develop once the Shares are listed on ASX; and (2) a significant proportion of the pre-IPO Shares may not be freely tradeable as they are expected to be classified as Restricted Securities by ASX for up to 24 months). • Economic factors including the effect on the market price of shares of movements in equities markets, commodity process, currency fluctuations and interest rates, and local and global political and economic conditions.	12.2
E. Key information on the experience and background of the Directors and key management		
Who is on the Board and management of the Company and what experience do they have in oil & gas?	The Board has considerable experience in the oil and gas sector with a combination of strong technical and commercial skills. The current Board consists of:	
	Dr Richard Haren – Non-executive Chairman Geologist and geophysicist with a PhD in the latter. He has over 30 years of experience in the resources industry and has led some of the most challenging and profitable exploration studies for gold, copper, diamonds and natural gas in the world. Previously a CEO, Chairman, and Director of several ASX listed companies and was General Manager of Planet Gas Limited (ASX:PGS), a US focused coal bed methane developer, as well as Technical Director of Molopo Energy Limited (ASX:MPO).	6.1.1
	Richard Pritchard – Managing Director & Chief Executive Officer Civil Engineer with 17 years' experience in engineering project management and asset management and 8 years in the finance industry. Previous experience with ASX-listed energy and industrial companies as Chief Executive Officer, Chairman and Director, as well as successfully managing IPO and reverse listings processes. Founded Shale Energy Limited in 2007 and has been actively involved in United States shale plays since 2008. Member of the Society of Petroleum Engineers (International), Engineers Australia and a Graduate of the Institute of Company Directors.	6.1.2

Question	Answer	Section
E. Key information on the experience and background of the Directors and key management *cont...*		
Who is on the Board and management of the Company and what experience do they have in oil & gas? *cont...*	Declan Pritchard – Non-executive Director Geophysicist with over 30 years' experience in the oil and gas exploration industry, including in most of the world's major oil & gas provinces and involvement in a number of significant discoveries. Recognised for his development of Energy Storage Technologies by the British Institute of Electrical Engineers. Developed a number of patents relating to seismic studies and energy storage. The senior management of the Company are: • Richard Pritchard – Managing Director & Chief Executive Officer • Graeme Hogan – Chief Financial Officer & Company Secretary • Margarett Prestidge – Chief Operating Officer The Company considers that it has assembled a well-credentialed and balanced management team that has extensive oil and gas exploration and production experience.	6.1.3 6.2
F. Significant interests of key people and related party transactions		
Who are the Existing Shareholders?	The Existing Shareholders at the date of this Prospectus (i.e. prior to this Initial Public Offer) comprise: • Jiaren Investment Pty Ltd – 3,592,782 Shares (16.1% of issued capital) • Richard Pritchard and Associate – 3,428,911 Shares (15.4% of issued capital) • John Perovich – 2,500,000 Shares (11.2% of issued capital) • IorWorth Pty Ltd - 1,760,495 Shares (7.9% of issued capital) • Declan Pritchard and Associate – 1,387,028 Shares (6.2% of issued capital) • Relevant Interests of Richard Haren – 300,000 Shares (1.3% of issued capital) • Other shareholders – 9,288,021 Shares (41.9% of issued capital)	14.10
What is the substantial Existing Shareholders' relationship with SEL?	• Richard Haren is the Chairman of SEL • Richard Pritchard is the Managing Director & Chief Executive Officer of SEL • Declan Pritchard is a Non-Executive Director of SEL • Jiaren Investment Pty Ltd, John Perovich and IorWorth Pty Ltd are professional investors, who have no role in the management of the Company	14.10, 14.7
What significant benefits and interests are payable to Directors and other persons connected with the issuer or the Initial Public Offer?	The Company has agreed to remunerate its Executive Director (Richard Pritchard) through a combination of an appropriate service agreement (with fees of $178,000 per annum) and the issue of up to 4,000,000 Management Performance Options (conditional upon the attainment of specified share price hurdles). The Non-Executive Directors will be remunerated through market based director fees. The Directors also have interests in Shares as noted above.	14.7, 14.8, 14.9
Are the directors or any Existing Shareholders selling shares into this Initial Public Offer?	No, none of the Directors are selling Shares into this Initial Public Offer. On Completion of the Initial Public Offer, the Directors (and their Associates) will be issued with one free Option for every two Shares they hold (as detailed above) on the same terms and conditions as the Free Options are issued to other Shareholders.	14.7

2.2 Frequently Asked Questions *cont...*

Question	Answer	Section
G. Key terms and conditions of the Offer		
What is the Initial Public Offer?	The Offer is an initial public offering of 17,500,000 New Shares to be issued by SEL. The Shares being offered will represent approximately 44% of the shares on issue on Completion of the Offer and are being offered at an Offer Price of 20 cents per New Share.	3.1
Will the New Shares be listed?	SEL will apply to ASX for admission to the Official List of ASX and quotation of shares on ASX under the code '[To be advised]'. Completion of the Offer is conditional on ASX approving this application.	3.15
Am I eligible to participate in the Initial Public Offer?	The Offer is open to all investors who are residents of Australia and any overseas resident who is in a jurisdiction where it is lawful for a person to participate in the Offer.	3.19
How can I apply?	Instructions on how to complete the Application Form accompanying this Prospectus are set out in Section 3.	3
What are the key Initial Public Offer dates?	The key dates are detailed in the indicative timetable in the front pages.	Front pages
What is the minimum application amount under the Initial Public Offer?	The minimum application size for the Offer is $2,000 (10,000 New Shares).	3.11
What is the allocation policy?	The Board will allocate Applications based on satisfying the Initial Public Offer and ensuring an appropriate Shareholder base for the Company going forward.	3.10
What are the taxation implications of investing in the Shares?	The taxation implications of investing in the shares will depend on each investor's individual investor's circumstances. Applicants should seek their own tax advice prior to applying for New Shares under the Initial Public Offer.	14.12
Is there any brokerage commission or stamp duty payable?	No brokerage commission or stamp duty is payable by an Applicant for acquisition of New Shares under the Initial Public Offer.	14.12
When will I receive Transaction Confirmation statement?	Confirmation of successful Applications in the form of holding statements (for both the New Shares and free Options) are expected to be despatched by post on or around 17 December 2014.	
H. Dividends		
When will I receive dividends?	It is anticipated that significant expenditure will be incurred as SEL contributes its share of the capital costs associated with the drilling and completion of a selection of the approved new wells at the Leases. These activities, together with the possible acquisition of interests in other leases, are expected to dominate at least the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period. Any future determination as to the payment of dividends will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors.	3.24

Question	Answer	Section
I. Further information and withdrawal of Offer		
Where can I obtain more information about this Prospectus or the Initial Public Offer?	If you have any questions in relation to the Initial Public Offer, please contact SEL on 02 9223 2497 between 9.00am and 5.00pm (AEDT) Monday to Friday. For investment advice, Applicants should contact a financial or other professional adviser.	3.28
Can the Initial Public Offer be withdrawn?	SEL reserves the right to not proceed with the Initial Public Offer at any time before the issue of New Shares to successful Applicants. If the Initial Public Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Initial Public Offer.	3.4

3: Details of the Offer

3.1 Description of the Initial Public Offer

This Prospectus invites investors to apply for a total of 17,500,000 New Shares at an issue price of 20 cents per New Share to raise $3,500,000 (before associated costs).

3.2 Minimum Subscription

The minimum subscription for this Initial Public Offer is 17,500,000 New Shares raising $3,500,000 (before associated costs). No New Shares will be allotted or issued until the Initial Public Offer has reached the minimum subscription. If the minimum subscription has not been raised within three months after the date of this Prospectus, all Applications will be dealt with in accordance with the Corporations Act.

3.3 Underwriting

The Offer is not underwritten.

3.4 Discretion regarding the Offer

SEL may withdraw the Initial Public Offer at any time before the issue of New Shares to successful Applicants. If the Offer does not proceed, all relevant Application Monies will be refunded (without interest).

3.5 Rights attaching to the New Shares

All New Shares issued pursuant to this Initial Public Offer will be issued as fully paid ordinary shares and will rank equally in all respects with the Shares already on issue. The rights and liabilities attaching to the Shares are summarised in Section 14.2.

Pre-IPO Shareholders (i.e. existing SEL Shareholders) may participate in the Initial Public Offer.

One free Option will be issued for every two New Shares allotted exercisable at 30 cents on or before 2 years from the date of listing of the Company on the ASX. The rights and liabilities attaching to the Options are summarised in Section 14.3. Pre IPO Shareholders will also be issued free Options on the same terms. All of the free Options will be issued and allotted upon Completion of the Initial Public Offer.

3.6 Purpose of the Issue

The purpose of the Initial Public Offer is to raise adequate funds to:

1. facilitate SEL's participation in approximately 5 new wells at the Hawkeye Lease (within the Bakken/Three Forks region in North Dakota, United States) which are currently scheduled to be drilled, completed and commence production in the September 2015 quarter, as described in this Prospectus;
2. provide funding to pursue potential shale oil and gas opportunities in the United States, as they may present themselves; and
3. provide sufficient general working capital.

In conjunction with the Initial Public Offer, SEL is seeking admission to the official list of ASX and quotation for its fully paid ordinary shares.

3.7 Capital structure

The pro-forma capital structure on completion of the Initial Public Offer is summarised below.

	Number	% of total	Capital Raised ($)
Existing Shares (Pre-IPO Shares)	22,257,237	56%	$1,597,162 [3]
New Shares issued under this Prospectus	17,500,000	44%	$3,500,000 [4]
Total	**39,757,237**		**$5,097,162**
Market Capitalisation at 20 cents per Share	**$7,951,447**		
Options			
Free Options issued to Existing Shareholders [1]	11,128,619		nil
Free Options issued to subscribers to New Shares [1]	8,750,000		nil
Total free Options (1 option for every 2 Shares)	**19,878,619**		
Broker Options (maximum) [2]	3,000,000		nil
Total [5]	**22,878,619**		**nil**

[1] These Options will be issued on completion of the IPO for nil consideration. They will be exercisable at 30 cents per Option and have an expiry date which is two years from the date of the Company's admission to the ASX Official List. Refer to the terms of the free Options set out in Section 14.3 for further details.

[2] This is the maximum number of Options that will be issued on completion of the IPO to licensed securities dealers or Australian financial services licensee holders providing services to SEL in relation to the Initial Public Offering. The Options will be issued for nil consideration and exercisable at 30 cents per Option with an expiry date which is two years from the date of the Company's admission to the ASX Official List. Refer to the terms of the Broker Options set out in Section 14.4 for further details.

[3] Capital raised by SEL after costs associated with capital raisings.

[4] Before associated costs of the Initial Public Offer.

[5] A total of up to 5,600,000 Management Performance Options may be issued to the Managing Director & CEO and the Chief Operating Officer. The issue of these Management Performance Options is conditional on the satisfaction of specified share price hurdles on or before 2 years from the date of SEL's listing on ASX. The Management Performance Options are not included in this table. Full details of the terms and conditions of the Management Performance Options are contained in Section 14.5.

3.8 Use of funds

The use of funds over the next two years including the funds raised from the Initial Public Offer will be as follows:

Funds raised from the Initial Public Offer	**$3,500,000**
Allocation of funds	
Cash expenses associated with the Initial Public Offer [1]	$397,111
Development of SEL's United States assets/operations [2]	$2,518,081
Working capital and corporate costs [3]	$584,808
TOTAL	**$3,500,000**

[1] The costs of the Initial Public Offer are set out in Section 14.11. The amount of $397,111 in the table excludes the fair value of the 3 million Broker Options ($70,000 pursuant to AASB 2 'Share Based Payments').

[2] See Section 3.9

[3] Working capital and corporate costs include payments toward outstanding creditors, salaries and superannuation of employees and directors, consultant's fees, rent and outgoings, accounting fees, legal fees, ASX listing fees, auditing fees, insurance, share registry fees, travel expenses and all other items of a general administrative nature.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities and market and general economic conditions.

In addition, in order to facilitate participation in a selection of the other 22 new wells which have been approved at the Hawkeye Lease (i.e. there are 27 approved wells and the proceeds of the Initial Public Offer will be utilised to fund ~5 of these) and to capitalise on other opportunities that may arise, the Company will be required to further utilise its US$2,000,000 revolving credit facility with BancFirst (located in Oklahoma) of which US$400,000 has been drawn down at the date of this Prospectus.

3.9 Potential effect of the fundraising on the future of SEL

The Directors consider that following the completion of the Offer, the Company will have sufficient working capital to carry out its business objectives. Its business objectives are the development of SEL's existing interests in oil and gas leases in the United States by contributing its share of capital expenditure to fund:

(a) drilling and completion of the first well at the Horovitz Lease;

(b) establishment of up to five new wells which have been approved at the Hawkeye Lease (and are currently anticipated to be drilled and completed by EOG, the Hawkeye Lease operator, in the September 2015 quarter); and

(c) the acquisition of further interests in oil and gas leases in the United States.

It is possible that future acquisitions of interests in oil and gas leases that may be contemplated may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by equity issues (subject to any required shareholder approvals) and/or further debt finance (if available).

3.10 Allotment and scale back

SEL will proceed to allocate the New Shares as soon as possible after the Closing Date and the receipt of ASX permission for the Shares to be admitted to the Official List.

Where no allocation is made to a particular Applicant or the number of New Shares allocated is less than the number applied for by an Applicant, surplus Application Monies will be returned to that Applicant within 30 days of the Closing Date. No interest will be paid on refunded Application Monies.

Successful Applicants will be notified in writing of the number of Shares allocated to them as soon as possible following the allocation being made after the Closing Date. It is the responsibility of Applicants to confirm the number of Shares allocated to them prior to trading in Shares. Applicants who sell Shares before they receive notice of the number of Shares allocated to them do so at their own risk.

No New Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

3.11 Applications for New Shares

Applications for New Shares can only be made by completing the Application Form attached to this Prospectus and must be for a minimum of 10,000 New Shares ($2,000) and thereafter in multiples of 2,500 New Shares ($500).

Your Application Form must be accompanied by a cheque for the full amount of your Application. Cheques are to be drawn in Australian dollars and made payable to "Shale Energy Limited – Share Offer" and crossed "Not Negotiable". Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn.

The Company reserves the right to reject any Application or to allocate fewer New Shares than the number applied for by any investor.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, SEL may still accept the Application. The Company's decision as to whether to accept the Application or how to construe, amend or complete it shall be final, but no Applicant will be treated as having offered to purchase more New Shares than indicated by the amount of the cheque for the Application Monies.

3.12 When to apply for New Shares

Applications may be lodged at any time after the issue of this Prospectus. However, as set out in the Prospectus, applications received during the ASIC Exposure Period will not be processed until after the expiry of that period.

The Offer will remain open until 5:00pm (AEDT) on 15 December 2014, unless the Company elects to close the Offer earlier or extend the Offer, in each case without prior notice.

Early lodgement of your Application is recommended as the Offer may be closed early.

3.13 Restricted securities

As a condition of admitting the Company to the Official List, ASX may classify certain shares held prior to the date of this Prospectus as restricted securities. Prior to Quotation it will be necessary for these shareholders to enter into restriction agreements with the Company.

The effect of the restriction agreements will be that the restricted securities cannot be dealt with for a period between 12 months and 24 months as determined by ASX.

3.14 Costs of the Initial Public Offer

If the Offer proceeds, the total estimated costs (both cash costs and non-cash costs) in connection with the Initial Public Offer, including advisory, legal, independent expert reports, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses are currently estimated to be approximately $467,111 (including GST). This includes commissions of up to 7% of amounts subscribed through any licensed securities dealers or Australian financial services licensee and the value of the maximum number of Broker Options (3,000,000) which may be issued. These costs of the Initial Public Offer are detailed in Section 14.11.

3.15 ASX admission

Within seven days after the date of issue of the Prospectus, SEL intends to apply for admission and quotation of its Shares on the ASX.

If granted, quotation of the Shares will commence as soon as practicable after allotment of Shares to Applicants. It is the responsibility of the Applicants to determine their allocation of Shares prior to trading.

The fact that ASX may admit SEL to its Official List is not to be taken in any way as an indication by ASX of the merits of SEL or the New Shares offered by this Prospectus. If ASX does not grant permission for Listing of the Shares within 4 months after the date of this Prospectus, or any longer period permitted by the Corporations Act, all Applications will be dealt with in accordance with Section 724 of the Corporations Act.

3.16 Trading on ASX

It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.

The Company and the Share Registry disclaim all liability whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding whether on the basis of confirmation of allocation provided by them, by a broker or otherwise.

3.17 CHESS and issuer sponsored holdings

SEL will apply to ASX to participate in the Securities Clearing House Electronic Sub-register System known as CHESS. CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC) in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, SEL will not be issuing certificates to investors who elect to hold their shares on the CHESS sub-register. When the shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register.

For all successful Applicants, the shares of a shareholder who is a participant in CHESS or a shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

After allotment of the shares, shareholders will receive a CHESS holding statement. The CHESS holding statements, which are similar in style to bank account statements, will set out the number of shares allotted to each shareholder pursuant to this Prospectus. The statement will also advise holders of their holder identification number for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub register or through the Share Registry in the case of a holding on the issuer sponsored sub register. SEL and the Share Registry may charge a fee for these additional issuer sponsored statements.

3.18 Privacy disclosure statement

If you complete an application for New Shares, you will be providing personal information to SEL (directly or via SEL's Share Registry). SEL, and SEL's Share Register on its behalf, may collect, hold and use that information in order to process your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

Your personal information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and SEL's Share Registry.

Your personal information may also be provided to SEL's members, agents and service providers on the basis that they deal with such information in accordance with SEL's privacy policy. The members, agents and service providers of SEL may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- SEL's Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You can access, correct and update the personal information that we hold about you. Please contact SEL's Share Registry if you wish to do so at the relevant contact numbers set out in the Prospectus.

Collection, maintenance, and disclosure of certain personal information are governed by legislation including the *Privacy Act 1988* (as amended), the *Corporations Act 2001* and certain rules such as the SCH Business Rules.

You should note that if you do not provide the information required on the Application Form, SEL and SEL's Share Registry may not be able to accept or process your Application.

3.19 Applicants outside Australia

Investors outside Australia should consult their professional advisers as to whether governmental or other consents are required, or other formalities need to be observed, before taking up shares pursuant to this Prospectus.

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.

Where this Prospectus has been dispatched to persons domiciled outside of Australia, and where that country's securities code or legislation requires registration, this Prospectus is provided for information purposes only.

No action has been taken to register or qualify this Prospectus or to otherwise permit a public offering of Shares outside of Australia.

The return of a completed Application form will be taken by SEL to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

3.20 United States Applicants

By subscribing for New Shares under this Prospectus any United States Applicant represents, warrants and covenants to the Company (and acknowledges that the Company is relying thereon) that:

(a) it understands and agrees that the Shares have not been registered under the US Securities Act, or applicable securities laws of any state of the United States, and the Shares are being offered and sold only to Qualified Institutional Buyers (QIBs) as such term is defined in Rule 144A under the US Securities Act, in reliance on the exemption from such registration requirements provided by Rule 144A under the US Securities Act;

(b) it, and if applicable, each Beneficial Purchaser for whose account it is purchasing shares, is a QIB;

(c) it is purchasing Shares for its own account or for the account or benefit of one or more persons who are QIBs for whom it is exercising sole investment discretion, (a 'Beneficial Purchaser'), for investment purposes only and not with a view to resale or distribution and, in particular, neither it nor any Beneficial Purchaser for whose account it is purchasing shares has any intention to distribute either directly or indirectly any of the shares in the United States; provided, however, that this paragraph shall not restrict the purchaser from selling or otherwise disposing of any of the shares pursuant to registration thereof pursuant to an exemption from the registration requirements of the US Securities Act and in accordance with any applicable state securities laws;

(d) it acknowledges that the Shares are 'restricted securities', as such term is defined under Rule 144(a)(3) under the US Securities Act, and may be offered, sold, pledged, or otherwise transferred, directly or indirectly, only pursuant to an exemption from registration under the US Securities Act and in accordance with any applicable securities law of any state of the United States, and it agrees that if it decides to offer, sell, pledge or otherwise transfer, directly or indirectly, any of the Shares, it will only offer, sell, pledge or otherwise transfer, directly or indirectly, any of the Shares directly or indirectly:

(i) to the Company; or

(ii) outside the United States in an 'offshore transaction' in compliance with the requirements of Rule 904 of Regulation S under the US Securities Act, if available, and in compliance with applicable local laws and regulations; or

(iii) in the United States pursuant to an exemption from or in a transaction that does not require registration under the US Securities Act in accordance with any applicable state securities laws; or in compliance with an exemption from registration under the 1933 Act provided by Rule 144 thereunder, if available, and in accordance with any applicable state securities or 'Blue Sky' laws;

(e) it understands and acknowledges that the Company has no obligation or present intention of filing with the United States Securities and Exchange Commission or with any state securities regulator any registration statement in respect of re-sales of the New Shares in the United States;

(f) it acknowledges that it has not purchased the shares as a result of any form of general solicitation or general advertising (as such terms are defined in Regulation D under the US Securities Act), including, but not limited to, any press releases made by the Company relating to the proposed offering of the shares or any report, notification or summary of the same;

(g) it understands and agrees that there may be material tax consequences to the purchaser of an acquisition or disposition of the Shares; the Company gives no opinion and makes no representation with respect to the tax consequences to the purchaser under United States federal, State or local tax law of the purchaser's acquisition or disposal of such Shares; in particular, no determination has been made whether the Company will be 'passive foreign investment company' ('PFIC') within the meaning of Section 1291 of the United States Internal Revenue Code of 1986;

(h) it understands and agrees that the financial statements of the Company have been prepared in accordance with Australian generally accepted accounting principles and International Financial Reporting Standards, which differ in certain respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies;

(i) it understands that the Company is incorporated under the law of Australia and that most or all of its directors and officers are residents of countries other than the United States, and, as a result, it may be difficult for the Purchaser to effect service of process within the United States upon the Company or such directors or officers, or to realise in the United States upon judgments of Courts of the United States predicated upon civil liability of the Company and the directors and officers under the US Federal Securities Laws;

(j) It confirms that it or the Beneficial Purchaser, if any:

(i) is able to bear the economic risk of the investment in the shares;

(ii) is able to hold the shares for an indefinite period of time;

(iii) is able to afford a complete loss of its investment;

(iv) finds this investment is suitable for it based upon its strategy.

3.21 Hong Kong Investors

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

The Shares have not been offered or sold and will not be offered or sold in Hong Kong by means of any document other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFO) and any rules made under that ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (CO) or which do not constitute an offer to the public within the meaning of that ordinance.

This document is only distributed in Hong Kong to professional investors as defined in the SFO and any rules made under that ordinance. This document has not been, and will not be, registered as a prospectus under the CO.

Further no person shall issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or ready by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Shares which 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. This document and the information contained in it may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

3.22 Singapore investors

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act (Chapter 289) of Singapore (the SFA), (ii) to a relevant person pursuant to section 275(1) of the SFA, or any person pursuant to section 275(1A) of the SFA, and, in each case, in accordance with the conditions specified in section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

By accepting this document, you: (a) represent and warrant that you are (i) an "institutional investor" (as defined in section 4A(1)(c) of the SFA) or (ii) a "relevant person" (as defined in section 275(2) of the SFA) or a person to whom an offer is being made, as referred to in section 275(1A) of the SFA; and (b) agree to be bound by the disclaimers, limitations and restrictions described herein. In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

3.23 Commission

The Company reserves the right to pay a commission of up to 7% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid Applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payment will be made subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

3.24 Dividend policy

It is anticipated that significant expenditure will be incurred as SEL contributes its share of the capital costs to drill and complete a selection of the approved new wells at the Leases. These activities, together with the possible acquisition of interests in other leases, are expected to dominate at least the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

3.25 Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company in light of uncertainty as to timing and outcome of the Company's growth strategies.

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.

3.26 Hedging policy

The Company will hold assets and receive income which is predominantly denominated in US dollars. It is intended that net proceeds of the Initial Public Offer will be substantially converted to US dollars over a period of up to six months.

SEL does not currently intend to hedge against currency risk or against oil price risk.

3.27 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management. Matters not yet known to the Company or not currently considered material to the Company may impact on these forward-looking statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 12.

3.28 Enquiries

This Prospectus provides information for potential Investors in SEL and should be read in its entirety.

Investors with questions in relation to completing the Application Form or who require additional copies of this Prospectus should contact the Company on 02 9223 2497, or their stockbroker, lawyer, accountant or other professional advisor.

If after reading this Prospectus, you have any questions about any aspect of the investment in SEL, please contact your stockbroker, lawyer, accountant or other professional advisor.

4: Company Overview

The following sections contain an overview of SEL's business, covering its history, assets, business model and growth strategy.

References in this Section (and throughout the Prospectus) to acreage or land held or acquired by SEL are references to leasehold interest.

4.1 Company history

SEL was incorporated in New South Wales on 23 November 2007. On 2 April 2013, SEL changed its name from Sustainable Energy Australasia Limited to Shale Energy Limited.

SEL has one wholly owned subsidiary, Sustainable Australasia USA LLC (SAU LLC), a Delaware registered corporation, which holds all of the Company's assets in the United States.

The Company has focused upon acquiring interests in shale oil and gas leases in the Bakken/Three Forks region of North Dakota which is part of the larger Williston Basin.

The area is now one of the largest shale oil and gas producing areas in the United States after experiencing an exceptional uplift in drilling and production activity in recent years.

SEL acquired its first lease interest in North Dakota on 19 December 2012 when SAU LLC was assigned 34.5232 net acres within a 1,150.72 gross acre lease unit in North Dakota's McKenzie County (the Hawkeye Lease).

The first well at the Hawkeye Lease commenced production in May 2013. SEL (via SAU LLC) acquired interests in a further three leases throughout 2014.

Over the past six years, SAU LLC has developed relationships with various participants in the United States shale oil and gas industry and acquired industry knowledge.

In turn, SAU LLC is regularly presented with opportunities to purchase interests in highly sought after oil and gas leases, as evidenced by the relatively recent acquisition of its interest in the Horovitz Lease (on 21st October 2014).

4.1.1 Corporate structure

The following diagram details the corporate structure of SEL.

The directors of SAU LLC are Richard Pritchard and Margarett Prestidge.

Shale Energy Limited

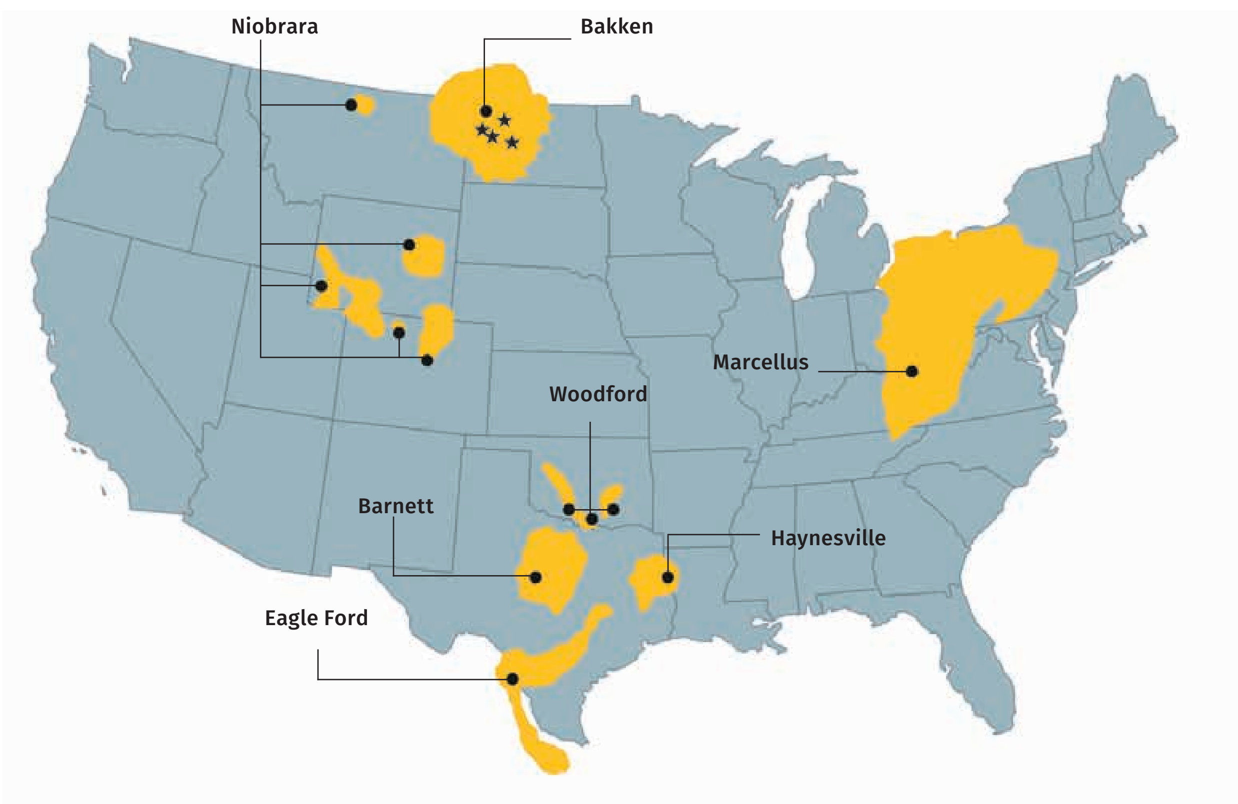
Sustainable Australasia USA, LLC
100% subsidiary

4.2 SEL Business Overview

Through SAU LLC, SEL holds interests in four shale oil and gas leases (99.87376 net acres) which lie in the Bakken/Three Forks region of North Dakota. At the date of this Prospectus, there is one producing well on each of the Hawkeye, Dorothy and Yauch Leases. Drilling of the first well on the Horovitz Lease commenced in October 2014.

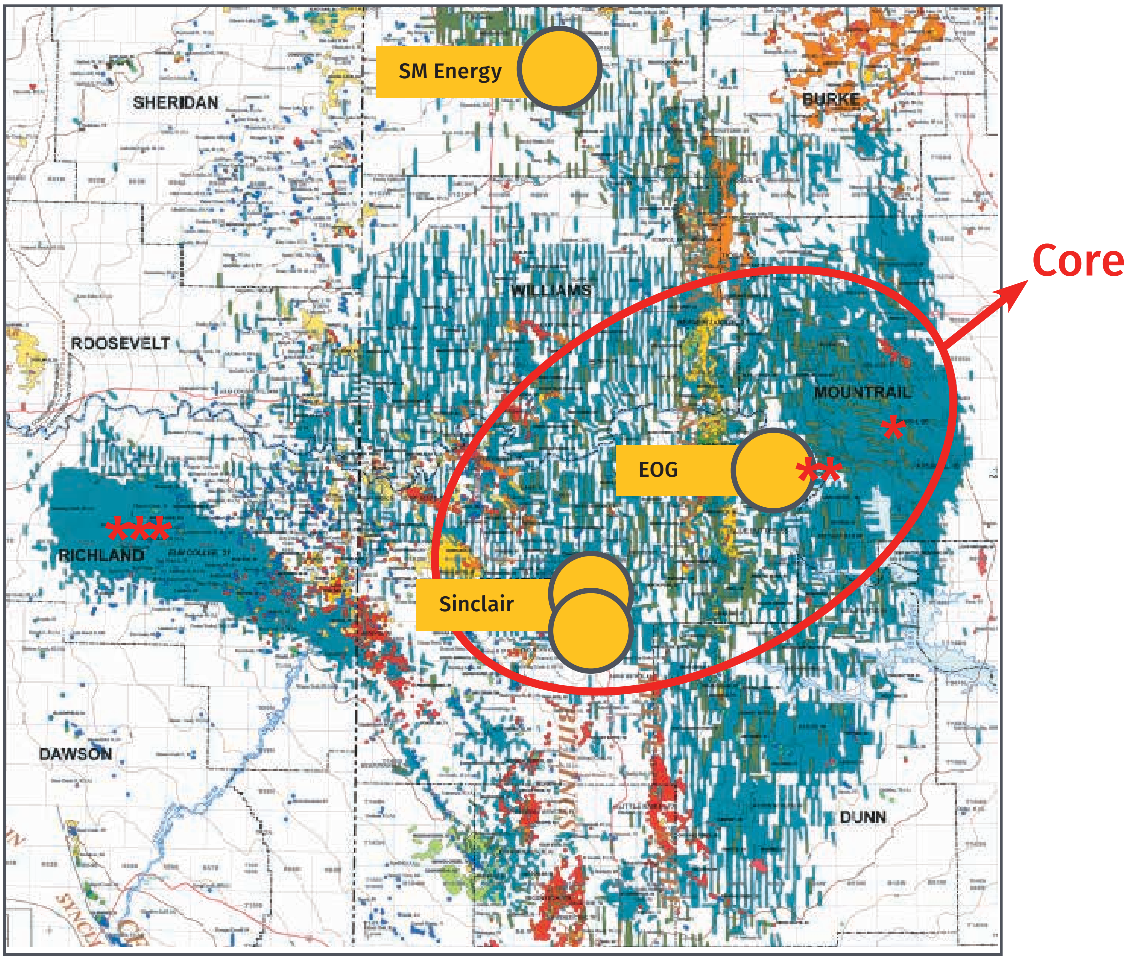
The Leases are located in the Bakken/Three Forks region (within the Williston Basin) which continues to experience exceptionally strong new well drilling activity and increasing production from recently completed wells. It is currently one of the largest and most attractive shale oil and gas producing regions in the US. It is discussed in further detail in Section 5.3.

Major Shale oil and gas Development Regions of the USA



★ Our projects

SEL's Lease Positions (North West North Dakota)



Legend

- The development of a Middle Bakken horizontal well within a 1280 acre lease unit.
- The development of a Three Forks 1st Bench horizontal well within a 1280 acre lease unit.
- County borders

Discovery Well

*	Meridian Oil (first horizontal discovery well #33 - 11 MOI 1987 produced 350Mbo in 5 years)
**	EOG Resources (Discovery well - Parshall #1-36H, in 2006)
***	Stanolind Oil & Gas (first vertical discovery well 1953, Antelope Field)

The following table provides a summary of the four Leases.

Lease Unit Name	Hawkeye	Dorothy	Yauch	Horovitz
Detailed descriptions and information	Refer Section 4.3; Section 11	Refer Section 4.4; Section 11	Refer Section 4.5; Section 11	Refer Section 4.6; Section 11
Operator	EOG Resources	SM Energy	Sinclair	Sinclair
Location	152N-95W-Sections 13 & 24, McKenzie County	163N-101 Sections 27 and 34, Divide County	147N-98W-Section 3 & 4, McKenzie County	147N-98W Sections 9 & 10 McKenzie County
Lease Size (gross acres)	1150.72	1280	1280	1280
SEL's share of acreage in Lease (net acres)	34.5232	20	25	20.35065
SEL's Net Revenue Interest (i.e. after deducting Royalties)	78%	78%	78%	78%
Cost of net acres (US$)	US$193,329	US$98,000	US$90,000	US$60,000
Number of Wells completed and producing	One (1)	One (1)	One (1)	Drilling of one well is in progress
Well Name	Hawkeye 3-2413H	Dorothy 3-27HST	Yauch 03-04-1H	Horovitz 10-09-1H
Completion Date	May, 2013	July, 2014	June, 2014	Expected early 2015
SEL's share of total capital costs for first well (US$)	US$504,167	US$114,933	US$214,968	Approximately US$161,000
% utilised to determine SEL's share of capital costs (i.e. Working Interest based on gross acreage of Lease)	3.0%	1.56%	1.95%	1.59%
Number of additional planned wells with NDIC permits	27	-	-	-
Number of additional wells with NDIC applications lodged	-	-	-	-
Lease term/expiry	Held by Production (no expiry while production continues)	Held by Production (no expiry while production continues)	Held by Production (no expiry while production continues)	Held by Production (due to the commencement of drilling and completion)
1P Reserves (Proven) ***Refer to Independent Geologist's Report in Section 10***	224,640 barrels oil	12,200 barrels oil	9,450 barrels oil	6,954 barrels oil
2P Reserves (Proven and Probable) ***Refer to Independent Geologist's Report in Section 10***	335,322 barrels oil	18,910 barrels oil	9,900 barrels oil	7,320 barrels oil

The Operators utilise horizontal drilling techniques when they drill wells on the Leases. Production from wells on the Leases occurs through the use of hydraulic fracturing (or 'fracking'). This is a process in which pressurised fluid is pumped into underground formations to create tiny fractures or spaces that allow crude oil and natural gas to flow from the reservoir into the well so that it can be brought to the surface. It enables the Operators to produce crude oil and natural gas from the Bakken/Three Forks formations that would otherwise not be recovered. Section 5.5 provides further detail regarding horizontal drilling and hydraulic fracturing.

4.3 Corporate structure

SAU LLC holds a 34.5232 net acre interest in the oil and gas lease covering two sections (sections 13 and 24 of Township 152 North, Range 95 West) within McKenzie County in North Dakota, United States (Hawkeye Lease). This forms part of an area known as the "Hawkeye unit" which is located within the Antelope Extension field of the Bakken/Three Forks shale oil and gas producing region (refer to the maps above). The Hawkeye Lease covers an area of 1150.72 acres or approximately two square miles.

SEL's net acreage represents a 16.8282241% Working Interest in Lot 5, Lot 6 and the NE¼ of section 13 within the Hawkeye Lease. Based on the Hawkeye Lease's gross acreage (1150.72 acres including all of sections 13 and 24), SEL's Working Interest amounts to 3.0%.

Sierra Resources, Inc. assigned the 34.5232 net acre lease interest to SAU LLC on 19 December 2012 for US$193,329.

EOG Resources, Inc. (EOG) and several other parties also hold interests in the Hawkeye Lease. EOG's Working Interest is 37%, while other parties (excluding SEL) account for 60% (based on 1150.72 gross acres).

The Hawkeye Lease is burdened by a 22% royalty interest which is payable to the oil and gas rights owners. Accordingly the Net Revenue Interest of each of the parties is 78% of their respective Working Interests.

Since the Hawkeye Lease has one well in production, the lease is classified by the NDIC as "Held by Production". Accordingly, the lease will not expire while production continues. The nature of leasing and mineral ownership in North Dakota is further described in Section 5.4 below.

4.3.1 Hawkeye Lease Operator

EOG is the operator of the Hawkeye Lease (also referred to in this Prospectus as one of the **Operators**) in accordance with North Dakota Industrial Commission (**NDIC**) regulations. It holds a 37% Working Interest in the Hawkeye Lease.

EOG is one of the largest independent crude oil and natural gas companies in the United States. It holds numerous interests in shale oil and gas leases. In addition, it has extensive experience as an operator (drilling, completing and operating onshore wells) in various regions of the United States, including the Bakken/Three Forks region where it is currently the second most active company.

Section 4.3.5 provides further information in relation to EOG.

As Operator, EOG proposes plans to drill wells on the Hawkeye Lease and prepares the well drilling applications for assessment by the NDIC. It currently plans to drill and complete a total of 28 wells. At the date of this Prospectus, one well has been completed and is in production, the EOG Permits have been secured covering a further 27 wells (for a total of 28 wells). The number and location of the wells that EOG has proposed is primarily based on:

- its assessment of the Bakken/Three Forks geology. EOG's understanding of the region's geology, in particular the potential extent of reservoirs in the lower benches of the Three Forks formation (and that of other participants in the region) continues to evolve as more wells are drilled and completed in the region by both EOG and other industry participants such as Continental Resources.

- the increasing sophistication of the available horizontal drilling and completion technology. EOG's technology is continuing to evolve and, in turn, EOG has the ability to enhance oil recovery rates by drilling wells which lie in closer proximity to one another than previously.

Once a permit is secured from the NDIC, the holders of the Working Interests are entitled to participate in the new well by contributing their respective shares of the requisite initial capital costs and ongoing operational and maintenance costs. There is no obligation for a Working Interest holder to partake in any given new well. Moreover, non-participation in a particular new well does not preclude the Working Interest holder's involvement in other new wells on the Hawkeye Lease.

The costs associated with each new well can be divided into:

- Capital expenditure for drilling and completion (to first day of production): Participation requires the interest holder to contribute to EOG's progressive capital expenditure (over several months as it drills and completes the relevant well) in proportion to its Working Interest. In return, the interest holder receives the revenue derived from EOG's sale of the well's oil in proportion to its Net Revenue Interest.

- Ongoing operating costs and maintenance capital expenditure. Once the relevant well is in production mode, EOG (as the Operator) is responsible for the management of all ongoing operating costs and maintenance capital expenditure. The Working Interest holders also pay for these ongoing costs in proportion to their Working Interest. These operating costs include transportation of the oil to sale destinations and any costs associated with sales and marketing.

EOG has established a reputation as a low-cost and highly productive operator which, in turn, enhances the economics of the wells which it drills and operates.

4.3.2 Hawkeye 003 #1 2413-H Well: Production to date

EOG commenced drilling the first well on the Hawkeye Lease, namely Hawkeye 003 #1 2413-H, on 10 December 2012. The well was completed on 18 May 2013. The capital expenditure for drilling and completion totalled approximately US$15 million (SEL's 3% WI share: US$504,167). This was higher than expected attributable to an unanticipated equipment failure during drilling.

To date, over 400,000 barrels of oil have been produced from the first well. Initial production on 18 May 2013 was 2,519 barrels of oil per day (**bopd**). Average production in July 2014 was approximately 543 bopd. SEL's net oil revenue to date (to 30 September 2014) from the first well amounts to US$953,648. The capital expenditure contribution payback time frame (on an accrued net revenue basis) was approximately 5 months (from well completion date) and approximately 6.5 months (on a cash revenue basis).

Gas production from this well commenced in December 2013 and is providing an additional, albeit more minor, revenue stream (approximately US$10,171 to 30 September 2014). In the initial months, gas from the well was flared (burnt off) as waste.

Monthly production data from the well is detailed in the table below. These production levels have exceeded SEL's expectations.

	Gross (100% of well)		SEL's Share (2.34% NRI)			
Month	**Oil Production (bbl)**	**Gas Production (Mcf)**	**Oil Production (bbl)**	**Gas Production (Mcf)**	**Oil Revenue (US$)**	**Gas Revenue (US$)**
May 2013	13,379	0	313	0	31,307	0
June 2013	23,709	0	555	0	55,479	0
July 2013	49,130	0	1,150	0	114,964	0
August 2013	46,421	0	1,086	0	108,625	0
September 2013	43,941	0	1,028	0	102,822	0
October 2013	40,529	0	948	0	94,838	0
November 2013	32,028	0	749	0	74,946	0
December 2013	27,301	590	639	14	63,884	75
January 2014	24,815	415	581	10	58,067	52
February 2014	16,329	202	382	5	38,210	26
March 2014	0	0	0	0	0	0
April 2014	30,927	10,965	724	257	72,369	1,386
May 2014	23,957	26,116	561	611	56,059	3,300
June 2014	18,241	17,343	427	406	42,684	2,191
July 2014	16,835	24,858	394	582	39,394	3,141
August 2014	16,508	27,406	386	641	38,629	3,463
September 2014	14,109	50,355	330	1,178	31,093	3,695
Sum	**438,159**	**158,250**	**10,253**	**3,704**	**953,648**	**10,171**

It is anticipated that the production profile of the well will follow a broadly similar pattern to the more established wells in the Antelope Extension areas of the Bakken/Three Forks region which are also operated by EOG. Monthly production has progressively declined by approximately 65% to date (from the peak of 49,130 bbls in July 2013). Hereafter, the rate of decline is anticipated to be less pronounced. The well is expected to continue production for approximately another 12-15 years.

4.3.3 Logistics: production to sale

The Hawkeye Lease currently has reasonable access to transport infrastructure through EOG as its Operator. EOG currently transports oil and gas produced from the Hawkeye well by road truck to its crude oil loading facility near Stanley, North Dakota.

The Stanley loading facility is utilised by EOG to transport all of its oil production from the Bakken region by rail to St. James in Louisiana or Stroud in Oklahoma or certain other destinations in the United States.

EOG's rail facilities enable it to direct the oil shipments via rail car to the most favourable market. It operates crude oil unloading facilities at:

- St. James in Louisiana (jointly owned by EOG and NuStar Energy L.P.) This facility provides access to one of the key oil markets in the United States, where sales are based upon the Light Louisiana Sweet (LLS) crude oil index.
- Stroud in Oklahoma. EOG then transports the oil from Stroud to the trading hub at Cushing in Oklahoma via an EOG owned pipeline. Pricing at Cushing is based on West Texas Intermediate (WTI) prices.

Under the arrangement with EOG, SAU LLC receives net cash revenue approximately 6 weeks after the end of the month in which the sale occurred. For instance, SEL received its Net Revenue Interest in July 2014 sales revenue in mid-September 2014.

4.3.4 Oil Reserves

SEL commissioned Neset Consulting (Neset), an independent geology firm based in North Dakota, to prepare an analysis of the reserves at the Leases. A summary of the reserves at the Hawkeye Lease is provided below and the full report is contained in Section 10.

Neset has estimated proved and probable oil and gas reserves. Proven and probable reserves represent estimated quantities of crude oil and condensate, NGLs and natural gas that geological and engineering data demonstrate, with varying degrees of certainty, to be recoverable in future years from known reservoirs under economic and operating conditions existing at the time the estimates were made.

Table Summarising Reserves from Independent Geologist's Report

Reserve Category	Zone	Estimated Recoverable Reserves (Gross) – millions of barrels of oil	Estimated Recoverable Reserves (Net to SEL) – barrels of oil
1P (Proven), PDP	Middle Bakken	0.51	11,934
1P (Proven), PUD	Middle Bakken	1.53	35,802
	Three Forks 1st Bench	2.25	52,650
	Three Forks 2nd Bench	5.15	120,510
	Three Forks 3rd Bench	0.16	3,744
2P (Proven + Probable)	Middle Bakken	2.88	67,392
	Three Forks 1st Bench	3.75	87,750
	Three Forks 2nd Bench	7.30	170,820
	Three Forks 3rd Bench	0.40	9,360

Note: The relevant terms are defined in the Independent Geologist's Report in Section 10 are an integral part of this table.

4.3.5 EOG Resources, Inc. Overview

EOG Resources, Inc. is one of the largest independent crude oil and natural gas companies in the United States. It explores for, develops, produces and markets crude oil and natural gas primarily in major producing basins in the United States of America, Canada, The Republic of Trinidad and Tobago, the United Kingdom and The People's Republic of China. As at December 31 2013, EOG's total estimated net proved reserves were 2,119 million barrels of oil equivalent and it employed approximately 2,550 staff.

It is listed on the New York Stock Exchange (NYSE) with a market capitalisation of US$54 billion (as at 10 November 2014).

EOG's strategy emphasises the control of operating and capital costs and the maximisation of reserve recoveries. The company is continually advancing its drilling and fracking technologies to improve the recovery factors of its reserves.

EOG's current strategy includes a focus on oil drilling activity in its Eagle Ford, Bakken/Three Forks plays and, to a lesser extent, liquids-rich natural gas drilling.

EOG is currently the second largest leaseholder and producer in the Bakken/Three Forks region behind Continental Resources, Inc Meanwhile, it is currently the largest player in the Eagle Ford region in Texas.

4.3.6 Hawkeye Lease – Further Development

EOG has received the EOG Permits from the NDIC to drill and complete 27 new wells on the Hawkeye Lease (**New Hawkeye Wells**). EOG has indicated to SEL that it currently expects these New Hawkeye Wells will be completed during the September 2015 quarter into 2016. Assuming EOG completes all the New Hawkeye Wells, there would be a total of 28 wells in production on the Hawkeye Lease.

This program of New Hawkeye Wells reflects a combination of:

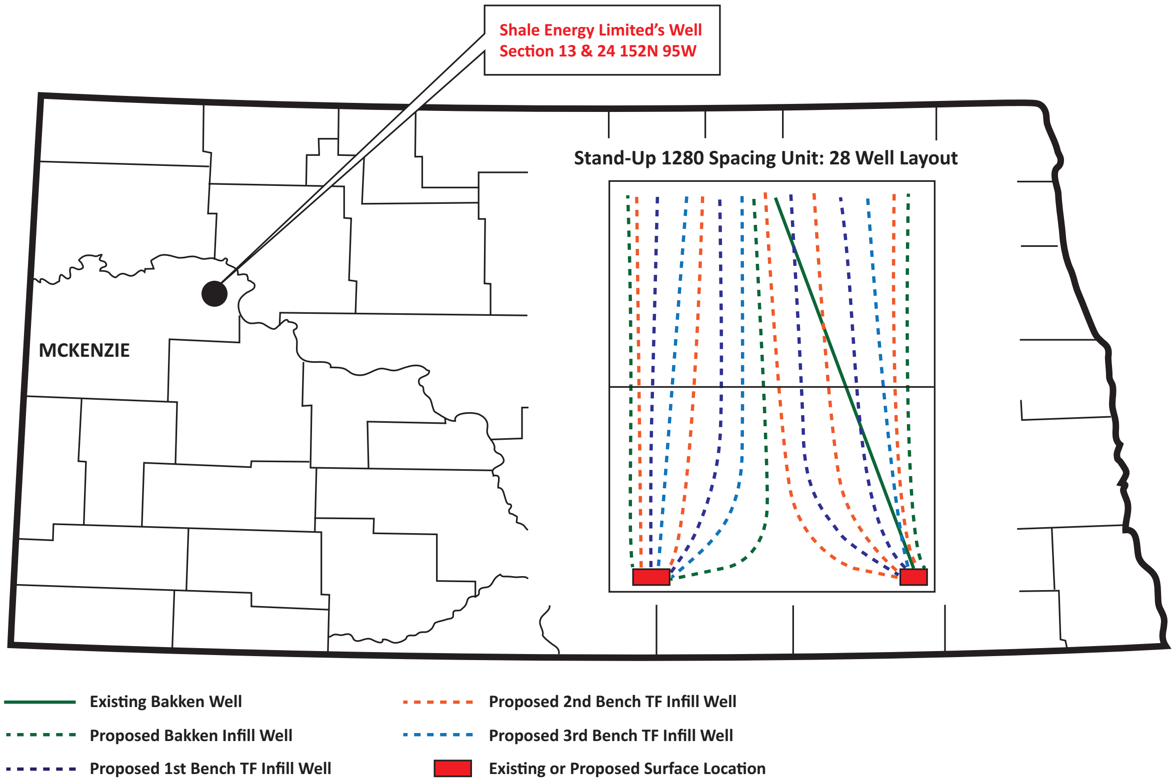
- EOG's identification of additional drilling opportunities by way of step-out wells on the Hawkeye Lease attributable to its advances in reducing well spacing requirements in the Bakken/Three Forks region; and
- additional wells targeting the reservoirs within the third bench of the Three Forks which until recently had been largely untested.

Target Formation	Number of Wells
Middle Bakken	11*
Three Forks 1st Bench	7
Three Forks 2nd Bench	3
Three Forks 3rd Bench	4
Three Forks 4th Bench	2
*SEL currently intends to participate in 5 of these Middle Bakken wells.	

SEL (through SAU LLC) holds the right to participate in each New Hawkeye Well commensurate with its 3% Working Interest (in the 1,150.72 gross acreage).

The Company currently intends to exercise its right to participate in approximately 5 of the New Hawkeye Wells through the payment of its 3% share of EOG's estimated capital expenditure for drilling and completion of each of these New Hawkeye Wells. Therefore, SEL anticipates SAU LLC will hold a 3% Working Interest (with a 78% Net Revenue Interest) in approximately 6 producing wells on the Hawkeye Lease by the end of December 2015.

Map of North Dakota showing Location of Hawkeye Lease and Development Proposal



The 5 wells in which SEL envisages it will consent to partake are targeting oil and gas recovery from the Middle Bakken formation within the Bakken/Three Forks region. SEL believes these new wells will entail less risk than the wells targeting the four benches within the Three Forks formation which lies below the Middle Bakken and accordingly requires drilling of deeper wells in areas in which EOG has comparatively less experience. The Independent Geologist's Report in Section 10 discusses the geology of the Bakken/Three Forks region and formations in further detail.

Based on EOG's estimate of total capital expenditure for the New Hawkeye Wells in submissions to the NDIC, SEL's average capital expenditure funding requirement for each New Hawkeye Well is currently expected to be approximately US$324,000. Therefore, SEL's total capital expenditure contribution will be approximately US$1,620,000. The Company has allocated part of the proceeds of the Initial Public Offering (refer Section 3.8) to funding its capital expenditure contributions for ~5 of the New Hawkeye Wells. SEL may also utilise part of its US$2 million credit facility with BancFirst (of which US$1.6 million is available at the date of this Prospectus) in order to participate in some of the other New Hawkeye Wells targeting the Middle Bakken.

The capital expenditure contribution payments for each New Hawkeye Well would be made progressively throughout the well drilling and completion process after EOG has incurred the relevant expenditure. It is anticipated that there will be variances for the individual New Hawkeye Wells reflecting factors such as equipment and personnel costs and other drilling risk factors (as discussed in Section 12.1).

The estimate of SEL's average capital expenditure per New Hawkeye Well is lower than the actual contribution for the first well which was primarily drilled in the first five months of 2013 and totalled approximately US$500,000. This was higher than the anticipated average capital expenditure contribution per New Hawkeye Well attributable to some unexpected initial equipment failures during the first well drilling and relatively high infrastructure related costs such as water haulage and sand costs. These attendant costs are expected to be lower for the New Hawkeye Wells reflecting new infrastructure and EOG's supply of its own sand and the efficiency attributable to the scale of activity.

SEL's share of production from the Hawkeye Lease is expected to substantially increase in late 2015 and into 2016 reflecting its participation in the anticipated drilling, completion and commencement of production at 5 of the New Hawkeye Wells in the September 2015 quarter. Thereafter, these New Hawkeye Wells are expected to continue to generate production for approximately 12-15 years at commercial rates. However, the production profile is expected to progressively decline throughout this time.

4.4 Dorothy Lease

SAU LLC holds a 19.9999 net acre interest in the oil and gas lease covering two sections (sections 27 and 34 of Township 163 North, Range 101 West) within Divide County in North Dakota, United States (Dorothy Lease). This forms part of an area known as the "Dorothy Unit" which is located within the Wildcat field of the Bakken/Three Forks shale oil and gas producing region (refer to the maps in Section 4.2 above). The Dorothy Lease covers an area of 1,280 acres (approximately two square miles).

As detailed in the Independent Report on the Lease Interests, SEL's net acreage represents:

- 22.92701% % Working Interest in SW¼ of section 27, less tract of land deeded to the USA, except 2.13 acres used for highway, and 2.79 acres deeded to the Minneapolis, St. Paul, Sault Ste. Marie Railway Company.
- 23.03096% Working Interest in SE¼ of section 34 less 2.25 acres deeded to the Church of St. Bernard and less 3.37 acres deeded to the Village of Fortuna.

Based on the Dorothy Lease's gross acreage (1,280 acres including all of sections 9 and 10), SEL holds a Working Interest of 1.56%.

Aurora Energy Solutions LLC assigned the 19.9999 net acre lease interest to SAU LLC on 10th March 2014 for US$98,000.

Operator and other Working Interest holders

This lease is operated by SM Energy Corporation, which is a New York Stock Exchange listed corporation and a sizeable participant in the United States shale oil industry. It holds a majority Working Interest in the Dorothy Lease. Further details of SM Energy's operations are detailed below in this Section 4.4.

Royalties

The Dorothy Lease is burdened by a 22% royalty interest which is payable to the oil and gas rights owners who are also the landowners. Accordingly the Net Revenue Interest of each of the parties is 78% of their respective Working Interests.

SM Energy Overview

SM Energy is a NYSE listed company with a US$5 billion market capitalisation specialising in US onshore oil and gas production with extensive experience in the Bakken/Three Forks region. In their quarterly report for third calendar quarter 2014, SM Energy reported daily net production of 76 MBOE per day. During this period, its average daily production for its Bakken/Three Forks program was 17.5 MBOE per day. SM Energy completed 9 gross wells in its operated Bakken/Three Forks program during the September 2014 quarter. It is currently operating three rigs in the Williston basin (including Bakken/Three Forks) and expects to add a fourth rig by calendar year end 2014.

First Well

One well on this lease was completed and commenced production in late July 2014. SEL contribution to the capital cost of this well amounted to US$114,933.

Since the Dorothy Lease has one well in production, the lease is classified by the NDIC as "Held by Production". Accordingly, the lease will not expire while production continues. The nature of leasing and mineral ownership in North Dakota is further described in Section 5.4 below.

Production and Net Revenue

To the end of September, over 14,185 barrels of oil have been produced from the first well at the Dorothy Lease. Initial production in July 2014 was 300 barrels of oil per day (**bopd**). The most recent monthly production data for the month of September 2014 indicates that average production was approximately 145 bopd. SAU LLC's net oil revenue to end September is expected to be US$17,300. SEL's initial cash net revenue inflow for the first 3-4 months of production from Dorothy is expected to be received by 31 December 2014. Thereafter, cash net revenue is anticipated to be paid on a monthly basis about six weeks after the relevant month end. Initial well revenues are delayed due to the requirement for title reports to be lodged with NDIC prior to production income being paid to the working interest holders. In light of the current backlog both with attorneys and the NDIC, receipt of the first production income can be delayed by up to 4 month. This process of lodging title reports with the NDIC only affects the first well on a lease. Revenue from any subsequent infill wells will be paid on a monthly basis about six weeks after the relevant month end from completion onwards.

This first well on the Dorothy Lease is expected to continue to generate production for approximately 12-15 years. However, the production profile will progressively decline throughout this time. This well has not performed as well as anticipated and has not matched the performance of nearby wells operated by SM Energy. When SEL was determining its participation in this first well, production data and other information from these nearby wells were utilised. However, the reserve estimates (refer to the summary below) indicate further potential in this lease unit and SEL will make further enquiries to ascertain any specific reasons for the first well's underperformance.

There is currently some gas production from the well which is generating an insignificant amount of revenue.

Monthly production data from the well is detailed in the table below.

	Gross (100% of well)		SEL's Share (2.34% NRI)			
Month	Oil Production (bbl)	Gas Production (Mcf)	Oil Production (bbl)	Gas Production (Mcf)	Oil Revenue (US$)	Gas Revenue (US$)
July 2014	3,864	1,073	47	13	$4,714	$71
August 2014	6,007	410	73	5	$7,329	$27
September 2014	4,314	1,065	53	13	$5,263	$70
TOTALS	**14,185**	**2,546**	**173**	**31**	**$17,306**	**$168**

Further Wells

At the date of this Prospectus, SM Energy has not submitted any further applications to the NDIC for the drilling of new wells on the Dorothy Lease. As noted above, this well has not performed in line with nearby wells on adjacent lease units. However, SM Energy may still further develop this lease unit with multiple infill wells if it predicts better results through the use of a different well drilling configuration and improvements in fracturing technology. SM Energy is an experienced well operator in Divide County and commonly achieves initial production in excess of 10,000 barrels of oil in the first month after a well is completed.

Oil Reserves

SEL commissioned Neset Consulting Services (NCS or Neset) to prepare an analysis of the reserves at the Leases. A summary of the reserves at the Dorothy Lease is provided below and the full report is contained in Section 10.

Table Summarising Reserves from Independent Geologist's Report

Reserve Category	Zone	Estimated Recoverable Reserves (Gross) – millions of barrels of oil	Estimated Recoverable Reserves (Net to SEL) – barrels of oil
1P (Proven), PDP	Three Forks	0.45	5,490
1P (Proven), PUD	Middle Bakken	0.55	6,710
2P (Proven + Probable)	Three Forks	0.77	9,394
	Middle Bakken	0.78	9,516

Note: The relevant terms are defined in the Independent Geologist's Report in Section 10 are an integral part of this table.

4.5 Yauch Lease

SAU LLC holds a 25 net acre interest in the oil and gas lease covering two sections (sections 3 and 4 of Township 147 North, Range 98 West) within McKenzie County in North Dakota, United States (Yauch Lease). This forms part of an area known as the "Yauch Unit" which is located within the Lone Butte field of the Bakken/Three Forks shale oil and gas producing region (refer to the maps in Section 4.2 above and Section 4.6 below). The Yauch Unit covers an area of 1,280 acres (approximately two square miles). The Yauch Unit is adjacent to the Horovitz Unit (refer Section 4.6 below).

As detailed in the Independent Report on the Lease Interests, SEL's net acreage represents:

- 5.29% Working Interest in Lots 1, 2, 3, 4 of section 3.
- 5.29% Working Interest in Lots 1, 2, 3, S½NE¼, SE¼NW¼, NE¼SW¼, N½SE¼ of section 4.

Based on the Yauch Lease's gross acreage (1,280 acres including all of sections 3 and 4), SEL holds a Working Interest of 1.95%.

Aurora Energy Solutions LLC assigned the 25 net acre lease interest to SAU LLC on 2nd May 2014 for US$90,000.

Operator and other Working Interest holders

This lease is operated by Sinclair Oil and Gas Company, a division of Sinclair Oil Corporation, which is a major privately owned, fully integrated oil and gas company in the United States. It holds a majority Working Interest in the Yauch Lease. Further details of Sinclair's operations are detailed below in this Section 4.5.

Royalties

The Yauch Lease is burdened by a 22% royalty interest which is payable to the oil and gas rights owners who are also the landowners. Accordingly the Net Revenue Interest of each of the parties is 78% of their respective Working Interests.

Sinclair Oil Corporation Overview

Sinclair Oil Corporation is a fully integrated oil and gas company with operations spanning refineries, retailing (petrol/gas stations), pipelines, production and exploration. It is a private company which is based in Salt Lake City, Utah and was founded in 1916.

Its upstream oil and gas division, Sinclair Oil and Gas Company, engages in the exploration and production of crude oil and natural gas including horizontal drilling and multi-stage hydraulic fracture stimulation. The division develops both:

- conventional reservoirs in Texas, the Rocky Mountain Basins and the Williston Basin (Montana and North Dakota)
- shale oil and gas (unconventional) projects in several regions, namely Bakken/Three Forks, Barnett, Woodford and Marcellus.

First Well

One well on this lease was completed and commenced production in late June 2014. SEL contribution to the capital cost of this well amounted to US$214,968.

Since the Yauch Lease has one well in production, the lease is classified by the NDIC as "Held by Production". Accordingly, the lease will not expire while production continues. The nature of leasing and mineral ownership in North Dakota is further described in Section 5.4 below.

Production and Net Revenue

To date, over 33,793 barrels of oil have been produced from the first well at the Yauch Lease. Initial production in June 2014 was 1500 barrels of oil per day (**bopd**). The most recent monthly production data for the month of September 2014 indicates that average production was approximately 210 bopd. SAU LLC's expected net oil revenue to end September from the first well amounts to approximately US$41,037. SEL's initial cash net revenue inflow for the first 3-4 months of production from Yauch is expected to be received by 31 December 2014. Thereafter, cash net revenue is anticipated to be paid on a monthly basis about six weeks after the relevant month end.

This first Yauch well has been shut-in for much of August and September 2014 and all of October 2014 as Sinclair prepared and commenced drilling the first well on the Horovitz Lease. This drilling is taking place from the site of the Yauch well head. Sinclair has stated that the first Yauch well will remain shut-in until the first Horovitz well is completed on the grounds of safety and the risk of damage to the first Yauch well. With only one full month of production data from the first Yauch well, an accurate assessment of its performance cannot yet be made. However, initial production was very encouraging.

This first well on the Yauch Lease is expected to continue to generate production for approximately 12-15 years. However, the production profile will progressively decline throughout this time.

There is currently no gas sales (as gas from the well was flared (burnt off) as waste).

Monthly production data from the well is detailed in the table below.

	Gross (100% of well)		SEL's Share (1.52% NRI)			
Month	**Oil Production (bbl)**	**Gas Production (Mcf)**	**Oil Production (bbl)**	**Gas Production (Mcf)**	**Oil Revenue (US$)**	**Gas Revenue (US$)**
June 2014	4,490	0	67	0	$6,735	$0
July 2014	17,938	0	269	0	$26,907	$0
August 2014	4,930	0	74	0	$7,395	$0
September 2014	6,435	0	97	0	$9,653	$0
TOTALS	**33,793**	**0**	**507**	**0**	**$50,690**	**$0**

Further Wells

At the date of this Prospectus, Sinclair has not submitted any further applications to the NDIC for the drilling of new wells on the Yauch Lease. However, since the production rates, geological data and financial returns from the first well have been satisfactory to date, SEL anticipates that Sinclair may, in 2015 or 2016, submit NDIC applications for permits to drill several new wells.

Sinclair is currently drilling the first well on the nearby Horovitz Lease. This is the third of four initial wells being drilled by Sinclair from the same location. Each of these four initial wells are located on separate but adjacent lease units. In turn, Sinclair is developing a contiguous 5,120 acres from the one location which is expected to facilitate a substantial development program and related financial efficiencies. SEL now holds Lease acreage in two of these Lease units.

Oil Reserves

SEL commissioned Neset to prepare an analysis of the reserves at the Leases. A summary of the reserves at the Yauch Lease is provided below and the full report is contained in Section 10.

Table Summarising Reserves from Independent Geologist's Report

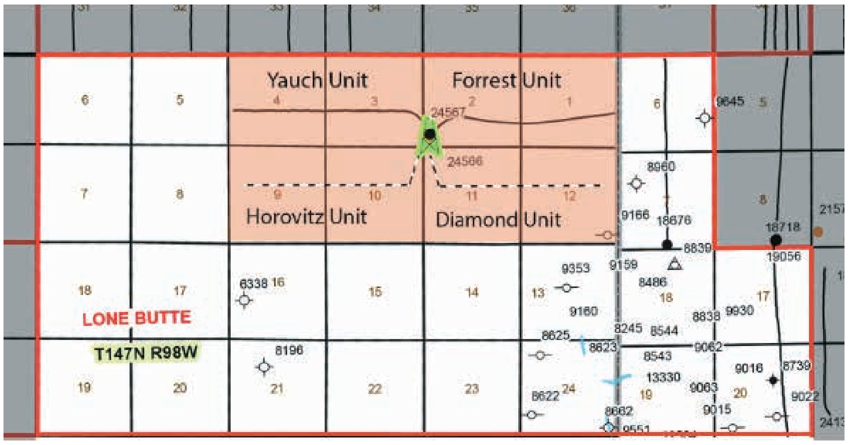
Reserve Category	Zone	Estimated Recoverable Reserves (Gross) – millions of barrels of oil	Estimated Recoverable Reserves (Net to SEL) – barrels of oil
1P(Proven), PDP	Middle Bakken	0.21	3,150
1P(Proven), PUD	Middle Bakken	0.42	6,300
2P(Proven + Probable)	Middle Bakken	0.66	9,900

Note: The relevant terms are defined in the Independent Geologist's Report in Section 10 are an integral part of this table.

4.6 Horovitz Lease

SAU LLC holds a 20.35065 net acre interest in the oil and gas lease covering two sections (sections 9 and 10 of Township 147 North, Range 98 West) within McKenzie County in North Dakota, United States (Horovitz Lease). This forms part of an area known as the "Horovitz unit" which is located within the Lone Butte field of the Bakken/Three Forks shale oil and gas producing region (refer to the maps in Section 4.2 above). The Horovitz Lease covers an area of 1,280 acres (approximately two square miles). The Horovitz Lease is adjacent to the Yauch Lease (refer to Section 4.5 above).

Map of Lone Butte field Showing all Sinclair Operated Lease Units



As detailed in the Independent Report on the Lease Interests, SEL's net acreage represents the aggregate of:

- 1.8778% Working Interest in Bed of the Missouri River riparian to Lots 4, 5, 6, and Lots 4, 5, 6, S½ of section 9.
- 1.8778% Working Interest in Lots 1, NE¼, S½, SE¼NW¼ of section 10.
- 1.8778% Working Interest in Lot 2, SW¼NW¼ of section 10.

Based on the Horovitz Lease's gross acreage (1,280 acres including all of sections 9 and 10), SEL holds a Working Interest of 1.56%.

Aurora Energy Solutions LLC assigned the 20.35065 net acre lease interest to SAU LLC on 21 October 2014 for US$60,000 and a further $40,000 to be paid in cash or shares prior to December 31st 2014.

Operator and other Working Interest holders

Sinclair is the operator of the Horovitz Lease in accordance with NDIC regulations. Section 4.5 provides background to Sinclair and its operations. It holds a 39.107% Working Interest in the Horovitz Lease. Marathon Oil Company and several other parties also hold interests. Marathon's Working Interest amounts to 37.444%, while other parties (including SEL) account for 23.449% (based on 1,280 gross acres).

Royalties

The Horovitz Lease is burdened by a 22% royalty interest which is payable to the oil and gas rights owners who are also the landowners. Accordingly the Net Revenue Interest of each of the parties is 78% of their respective Working Interests.

Wells

Sinclair has secured a permit to drill one well on the Horovitz Lease (Horovitz 10-09-1H well). At the date of this Prospectus, this well is being drilled. It is expected to be completed and commence production in early 2015. SEL (through SAU LLC) will participate in this well commensurate with its 1.59% Working Interest. Based on Sinclair's estimated capital costs for this well, SEL will be required to outlay approximately US$161,000 in early 2015.

Under North Dakota legislation a well is Held by Production from the commencement of drilling. Accordingly, the lease will not expire while completion takes place and production continues. The nature of leasing and mineral ownership in North Dakota is further described in Section 5.4 below.

At the date of this Prospectus, Sinclair has not submitted any further applications to the NDIC for the drilling of new wells on the Horovitz Lease. However, if the production rates, geological data and financial returns from the first well are satisfactory, SEL anticipates that Sinclair may, in 2015 or 2016, submit NDIC applications for permits to drill several new wells.

Oil Reserves

SEL commissioned Neset to prepare an analysis of the reserves at the Leases. A summary of the reserves at the Horovitz Lease is provided below and the full report is contained in Section 10.

Table Summarising Reserves from Independent Geologist's Report

Reserve Category	Zone	Estimated Recoverable Reserves (Gross) – millions of barrels of oil	Estimated Recoverable Reserves (Net to SEL) – barrels of oil
1P (Proven), PUD	Middle Bakken	0.57	6,954
2P (Proven + Probable)	Middle Bakken	0.60	7,320

Note: The relevant terms are defined in the Independent Geologist's Report in Section 10 are an integral part of this table.

4.7 Prospects and Growth Opportunities

SEL intends to leverage its existing United States oil and gas industry relationships, including those in the Bakken/Three Forks region, to acquire additional lease interests. These interests are likely to be relatively small (i.e. up to 50 net acres or 5% Working Interest). SEL is regularly presented with opportunities to acquire such interests at valuations which would satisfy its required return on investment criteria.

It is the Board's intention to evaluate potential acquisitions of interests in oil and gas leases that are operated by experienced third parties with requisite drilling and production expertise, demonstrated ability to efficiently manage capital expenditure and operating costs and existing access to infrastructure. SEL does not currently intend to operate any oil and gas leases in the United States.

SEL's prospects therefore are to continue to receive the revenue from its current oil assets and increase its revenue as a result of the acquisition of more oil assets of a similar nature.

4.8 Previous US operations

SAU LLC previously held interests in oil and gas leases in Oklahoma and Texas. These interests have expired.

4.9 Taxation

SAU LLC is subject to United States taxation law. Australia is a Tax Friendly Treaty jurisdiction for owners of Limited Liability Corporations (LLCs) in the United States. Accordingly, SAU LLC can repatriate dividends to SEL without incurring double taxation. In general, US income tax for corporations in the United States is levied at 35 cents in the dollar. SEL did not incur an income tax liability in 2013 and does not envisage an income tax liability in 2014 due to the ability to depreciate 100% of drilling and completion costs in the financial year they were incurred.

5: Industry Overview

This section starts with an overview of the position of the United States oil & gas industry in a global context and is followed by a discussion of the onshore oil & gas industry and the major producing regions therein. It concludes with an overview of the Bakken/Three forks region in which the Leases are located.

5.1 United States oil & gas industry in a global context

Oil production (including crude oil, condensates and natural gas liquids) in the United States totalled 9.2 million barrels per day in 2012. This gave it the mantle of the third largest oil producer in the world behind Saudi Arabia (11.7 million bbl/day) and Russia (10.7 million bbl/day).

Recently, US Energy Information Administration (**EIA**) figures for August 2014 indicate that United States crude oil production amounted to 8.648 million barrels a day which was its highest level since July 1986.

In its World Energy Outlook 2013, the International Energy Agency (**IEA**) made the following forecasts in relation to the United States which reflect the strong and expanding production output from shale formations in North Dakota and Texas with the use of horizontal drilling and hydraulic fracturing:

- It will become the world's top oil producer by 2015 as it surpasses Saudi Arabia and Russia. Its output will plateau after 2020 as a result of the limited resource base of the shale oil formations. Nonetheless, the United States will hold this top position until the start of the 2030s.
- Its production will increase to 11.6 million barrels per day in 2020, representing a 26% increase from 2012 production levels.
- Its volume of oil imports is also expected to decline as it becomes a close to energy self-sufficiency over the next two decades.

5.2 United States shale oil & gas industry

Shale oil (light tight oil) has rapidly emerged as a significant and relatively low cost new unconventional resource in the US.

Production

Shale oil production has been accelerating in US, growing from 111,000 barrels per day in 2004 to 553,000 barrels per day in 2011. This represents a growth rate of around 26% per year. As a result, US oil imports have continued to fall to their lowest levels for over 25 years.

Estimates by the EIA have been regularly revised upwards such that earlier forecasts from a few years ago are now dwarfed.EIA, in its 'Annual Energy Outlook 2013 with Projections to 2040' released in April 2014, suggests that shale oil production in the US may reach 2.8 million barrels per day by 2020 and declines to 2.0 million barrels per day by 2040. However, EIA forecasts are regarded in the industry as conservative relative as other market analysts forecast US shale oil production of up to 3-4 million barrels per day towards 2030.

The pace of the industry's evolution leading to heightened production reflects:

- the ability of the industry to develop it through steady improvements in technology and cost of horizontal drilling and hydraulic fracturing.
- drilling intensity. Over 4,000 wells came into production in 2012 which outpaced the total number of wells (both conventional and unconventional) brought online in the rest of the world (except Canada). Recent production growth is largely a function of bringing as many wells as possible online in light of the dramatic decline that follows the early months of production activity at each new well. For example, in December 2012 it took approximately 90 new producing wells per month just to maintain Bakken-Three Forks oil production of 770,000 barrels per day.
- the large resource size.
- the location of the reservoirs as there is relatively low population density in several shale areas which has facilitated the drilling intensity and use of technologies as noted above.

However, the unique characteristics of shale oil, especially the drilling intensity, make it vulnerable to both any declines in the oil price and regulatory uncertainty arising from environmental concerns over the chemicals used in the hydraulic fracturing process.

Reserves

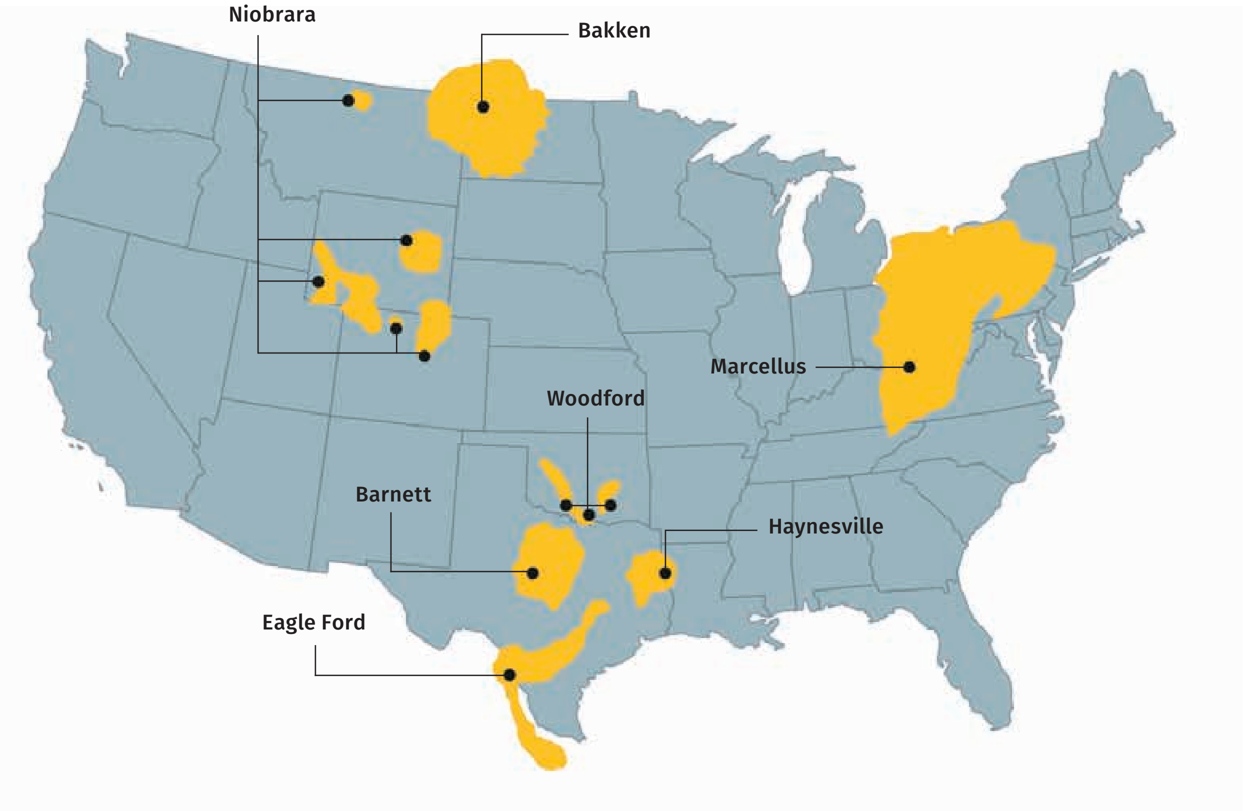
EIA's 2013 estimate of the scale of total shale oil resources in the US stands at 345 billion barrels, indicating that shale oil will provide a significant contribution to increased US energy independence.

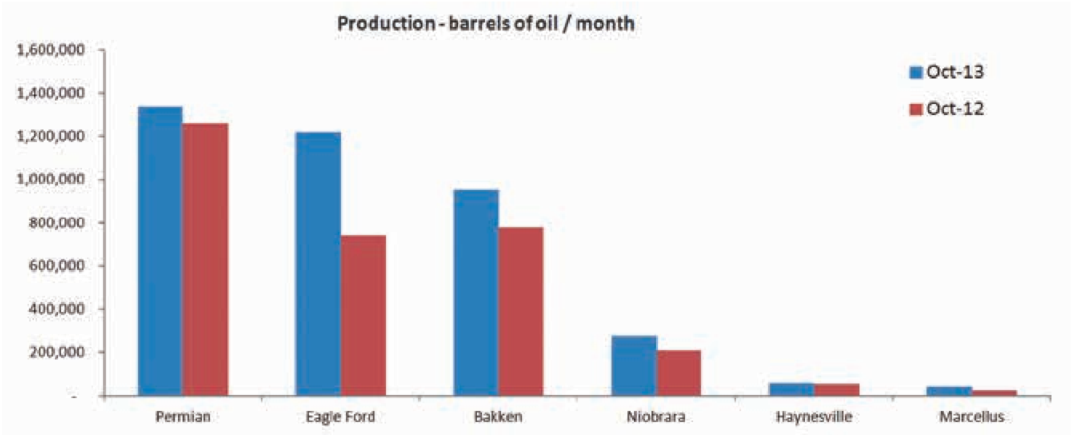
Impact on oil prices

Rapid production growth in shale oil has resulted in some noticeable effects on pricing in areas where shale oil is produced but access to export infrastructure is limited. The US domestic oil price (West Texas Intermediate index) has decoupled from global indices (such as the Brent index) and imports have been declining. Accordingly, the EIA has forecast that increased shale oil production could lead to oil prices that are lower.

The key regions

Six major shale oil and gas producing regions have been identified by the EIA as shown on the map below. The three largest are the Permian region, the Eagle Ford region and the Bakken/Three Forks region.





5.3 Bakken/Three Forks region

The Bakken/Three Forks shale oil region is (approximately) located in the north half of the Williston Basin. The region covers parts of the states of North Dakota and Montana in the United States and well as southern portions of Saskatchewan and Manitoba in Canada.

To date, over 8,000 horizontal wells have been drilled in the Bakken/Three Forks region. The largest operators in this area are Continental Resources, Inc followed by EOG. SM Energy and Sinclair are also key participants. Major petroleum companies, such as Exxon and Hess, also operate in the Bakken together with a host of medium to smaller sized independent oil companies.

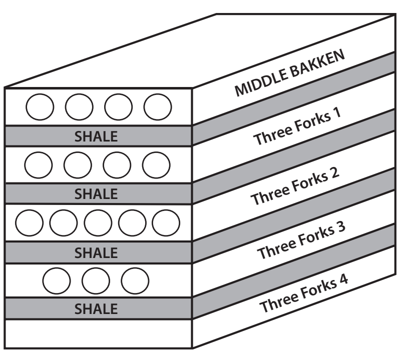
Although the very first oil production in the Bakken occurred in 1953, there have been two key phases of heightened drilling and production activity in the region:

- 1987-2000 With the advent of horizontal wells in the region, production during this time relied upon naturally occurring fracture networks in the Bakken/Three Forks Formation to provide enough permeability for the oil in the sale to be produced at commercial rates. These areas had been largely drilled up by 2000.
- 2005 to 2013 (current) as horizontal drilling was couple with large hydraulic fracturing so commercial production could be established in oil rich areas where natural fracturing was not abundant.

Initially, the industry focused upon drilling in the Middle Bakken reservoirs (refer to stratigraphic section diagram). In 2013, drilling targeting the Middle Bakken has continued to expand throughout the region. Of note, both Continental Resources and EOG have increased well densities targeting the Middle Bakken reservoirs in order to enhance reserve recoveries.

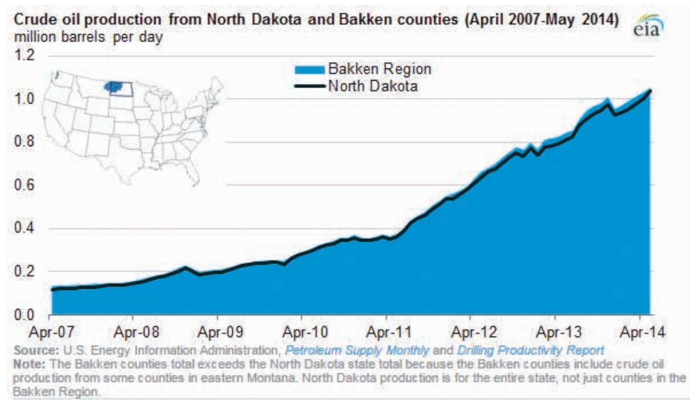
Over the past five years, the Three Forks formation that underlies the Bakken has also proved to be a viable for drilling. To date, approximately 750 commercial wells have been drilled targeting the first bench of the Three Forks. Both the second and third benches of the Three Forks have also been tested commercially within the past year.

The EIA's monthly production figures for the Bakken/Three Forks region continue to set new record highs and illustrate the enormous growth that has occurred in recent years.



According to the data provided by the Department of Mining and Resources of North Dakota, the Bakken/Three Forks produced an average of 1,067,609 barrels of oil per day in August 2014 which was a new all-time high daily output and represented a 26% increase on the previous corresponding period.

Month-on-month production growth rates over the past six months have been in the order of 2%-3%. According to EIA's forecast the Bakken/Three Forks would produce just over 1.2 million barrels of oil per day by December 2014.



This increase in activity has led to new infrastructure such as new roads, rail terminals, oil and gas pipelines and accommodation. Given the scale of the shale oil and gas industry in the Bakken/Three Forks region, construction of further significant new infrastructure (including pipelines) will continue into 2015.

An overview of EOG's infrastructure in the Bakken/Three Forks region is provided in Section 4.3.3.

5.4 Leasing and Mineral ownership in North Dakota

Lease agreements in North Dakota are entered into individually with the owners of the mineral rights (in this instance, oil and gas rights) who may or may not be the landowners. Alternatively, these mineral rights owners are parties (assignees) to whom the mineral rights owners have assigned the mineral rights. This is in contrast to the position in Australia where the Crown retains ownership of undiscovered oil and gas deposits.

Leases granted by the mineral owners are for a set time normally between 1-3 years, when production occurs within the lease period the rights are maintained for the duration of production, termed "Held By Production". These agreements include a negotiated royalty for the mineral owners which is calculated as a percentage of the gross revenue. The Net Revenue Interest (or NRI) refers to the revenue share of a mineral rights to lessee after the royalties have been deducted. In SEL's case the NRI is 78% on all its leases.

In North Dakota, oil lease agreements are registered at the NDIC. Title opinions on each lease are prepared by local attorneys or a landman. An independent opinion on SEL's interests in the Leases is contained in Section 11.

Well Participation

An Operator will provide a written invitation to SEL to participate in any new well(s). This invitation must include the well site location, depth and objective zone, along with estimated cost, projected commencement date, date the invitation must be accepted and a notice to the invited party about the plan to impose any risk penalty. The invited party may convey its opposition to the proposed risk notice directly to the Operator, or pursue its opposition with the NDIC through hearing.

Under North Dakota Criminal Code (NDCC) 38-08-08 working interest owners ("lessees") can be assessed a 200% penalty out of proceeds from production of the pooled spacing unit (well) if they choose not to participate in the cost and risk of drilling and completion. When the well revenue has achieved 200% of the lessees working interest cost the revenue will revert to the working interest owner (lessee).

Under the system governing working interest owners in North Dakota if a working interest owner chooses not to participate in any one well on a spacing unit they may still participate in future wells and future wells must be proposed to the working interest owner by the Operator. A complete Report on SEL's leasehold interests is found in Section 11.

5.5 Production process

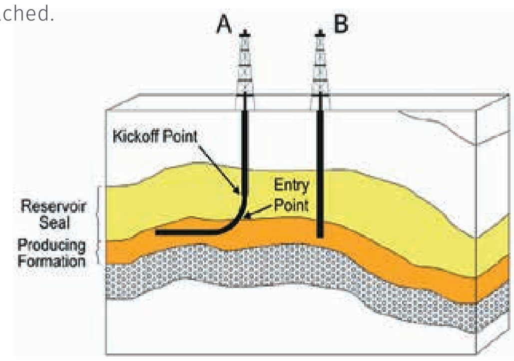
Horizontal Drilling

The wells on the Leases have been drilled and completed utilising horizontal drilling technology. This technology has facilitated previously technically unviable oil and gas plays and is used extensively throughout the United States shale oil industry.

Most oil and gas reservoirs are much more extensive in their horizontal (areal) dimensions than in their vertical (thickness) dimension. Consequently, drilling a vertical bore hole has limited capacity to produce extensive surface contact with the reservoirs (or 'producing formations').

Horizontal drilling technology overcomes this constraint by enabling extended contact with reservoirs which, in turn, facilitates more extensive drainage per well and increased commercial production.

More specifically, horizontal drilling is the process of drilling a well from the surface to a subsurface location just above the target oil or gas reservoir (called the "kickoff point"), then deviating the well bore from the vertical plane around a curve to intersect the reservoir at the "entry point" with a near-horizontal inclination, and remaining within the reservoir until the desired bottom hole location is reached.



Hydraulic Fracturing

Production from wells on the Leases occurs through the use of hydraulic fracturing (or 'fracking'). Hydraulic fracturing technology has been used by the United States oil and gas industry for more than 60 years and is constantly enhanced. It enables the Operators to produce crude oil and natural gas from the Bakken/Three Forks formations that would otherwise not be recovered and it is currently utilised by approximately 90% of new wells in the United States.

More specifically, hydraulic fracturing is a process in which pressurised fluid and propants (usually sand) is pumped into underground formations to create tiny fractures or spaces that allow crude oil and natural gas to flow from the reservoir into the well so that it can be brought to the surface. Hydraulic fracturing generally takes place thousands of feet underground. This is a considerable distance below any drinking water aquifers and there are impermeable layers of rock between the area fractured and the water aquifers. The composition of the fluid used in the hydraulic fracturing process is typically more than 99% water and sand, and less than 1% of highly diluted chemical additives. While the majority of the sand remains underground to hold open the fractures, a significant percentage of the water and chemical additives flow back and are then either reused or safely disposed of at sites that are approved and permitted by the relevant regulatory authorities.

6: Directors and Management

The Board has a broad range of experience in the resources industry, including the oil and gas sector. The following Section provides information regarding the Directors, including their positions:

Directors	Position	Independence [1]
Dr Richard Haren	Non-Executive Chairman	Independent
Richard Pritchard [2, 3]	Managing Director & Chief Executive Officer	Non-Independent
Declan Pritchard	Non-Executive Director	Independent

[1] The Company considers that a Director is an independent Director where that Director is not a member of SEL's management and is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement.

The Company has also assessed the independence of its Directors having regard to the requirements for independence, which are set out in Principle 2 of the ASX Corporate Governance Principles.

[2] Richard Pritchard is not considered to be an independent Director as he will (and will on completion of the Initial Public Offer remain) a substantial shareholder of SEL.

[3] Richard Pritchard is not considered to be an independent Director as he is (and will on completion of the Offer remain) an executive of SEL.

6.1 Directors

6.1.1 Dr Richard Haren (Non-Executive Chairman)

Dr Haren has over thirty years project management experience in the resources industry. He gained a 1st Class Honours degree and University Medal in Physics and a PhD in Exploration Geophysics from the University of New South Wales in Sydney, Australia.

Dr Haren has been Technical Director, Managing Director, CEO, Director and General Manager of several ASX listed companies. He was General Manager of Planet Gas Limited (ASX:PGS) and Technical Director of Molopo Energy Limited (ASX:MPO) both Coal Bed Methane explorers with projects in the USA, China, Russia and Australia. He was also CEO of Aeon Metals Limited (ASX:AQR), and Managing Director of South American Iron & Steel Corporation Limited (ASX:SAY). Prior to its listing on the ASX he was the Managing Director and CEO of Chinalco Yunnan Copper Resources Limited (ASX:CYU). At present he is a Non-Executive Director of SAY and a Director of numerous private companies involved in exploration and mining in numerous countries including Tanzania and Zimbabwe in Africa, Chile in South America, PNG and Australia.

Dr Haren is a corporate member of the Australasian Institute of Mining and Metallurgy, the Society of Exploration Geophysicists and the Australian Society of Exploration Geophysicists.

6.1.2 Richard Pritchard (Managing Director & Chief Executive Officer)

Richard is a Civil Engineer with 17 years' experience in engineering project management and asset management and 8 years in the finance industry. He has been involved with ASX-listed energy and industrial companies as Chief Executive Officer, Chairman and Director, as well as successfully managing IPO and reverse listings processes.

Richard founded Shale Energy Limited in 2007 and has been actively involved in United States shale plays since 2008. He is a Member of the Society of Petroleum Engineers (International), Engineers Australia and is a Graduate of the Institute of Company Directors.

6.1.3 Declan Pritchard (Non-Executive Director)

Declan is a geophysicist with over 30 years' experience in the oil and gas exploration industry. He has worked as a geophysicist in most of the world's major oil & gas provinces and has been involved in a number of significant discoveries.

Declan has been recognised for his development of Energy Storage Technologies by the British Institute of Electrical Engineers. He has also developed a number of patents relating to seismic studies and energy storage.

6.2 Management

6.2.1 Richard Pritchard, Managing Director & Chief Executive Officer of the Company

See section 6.1.2 for details on Mr. Pritchard.

6.2.2 Graeme Hogan

(Chief Financial Officer & Company Secretary)

Mr. Hogan has over 30 years' experience in accounting, finance, treasury and company secretarial roles, including 10 years as the Chief Financial Officer of ASX listed companies (including 3 years with ASX listed AGL Limited).

Mr. Hogan is a Certified Practising Accountant and a Fellow of the Governance Institute of Australia.

6.2.3 Margarett Prestidge

(Chief Operating Officer)

Ms. Prestige is a lawyer and member of the Oklahoma Bar Association. Ms. Prestidge has 30 years' experience in the United States oil and gas industry having worked in many oil and gas companies as General Counsel, including 8 years with EOG Resources.

Ms. Prestidge currently operates her own law firm providing expertise within the oil and gas industry including title examination, Corporation Commission matters and oil and gas litigation.

7: Corporate Governance

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below.

The Company has adopted the Principles of Corporate Governance and Recommendations (3rd Edition) published by ASX Corporate Governance Council unless disclosed below.

As the Company's activities develop in size, nature and scope the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

7.1 Board of Directors

The Board of Directors is responsible for the corporate governance of the consolidated entity. It monitors the business affairs of the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

The Company currently has three executive officers – Richard Pritchard (Chief Executive Officer), Margaret Prestidge (Chief Operating Officer USA) and Graeme Hogan (Chief Financial Officer and Company Secretary).

The Chief Executive Officer will be responsible for conducting the affairs of the Company under delegated authority from the Board and implementing the policies and strategies set by the Board. In carrying out his responsibilities, the Chief Executive Officer will report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operating results.

7.2 Board composition

The composition of the Board shall be determined in accordance with the following principles and guidelines:

A. The Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas;

B. The Board shall not comprise a majority of executive Directors; and

C. Directors shall bring characteristics that allow a mix of qualifications, skills and experience.

While there is currently no formal review process in place, the performance of all Directors is informally reviewed by the Chairman in order to ensure that the Board continues to discharge its responsibilities in an appropriate manner. Directors whose performance is unsatisfactory may be asked to retire. This review process may change in the future depending on the size and scope of the Company.

The Board is currently comprised of three (3) directors, two of whom are independent directors and the skills, experience and expertise relevant to the position of each Director who is in office at the date of this Prospectus is detailed in Section headed – "Details of Current Directors" above.

The structure of non-executive Directors' remuneration will be clearly distinguished from that of executive Directors (if any) and senior executives. The Remuneration Report, which forms part of the Directors' Report will clearly separate non-executive Directors' remuneration from executive Director remuneration.

7.3 Performance evaluation and communication to Shareholders

The Board aims to ensure that the Shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of all Directors. Information is communicated to the Shareholders through:

A. the Annual Report, which is distributed to all Shareholders and posted on the ASX website www.asx.com.au;

B. the half-yearly report, which is posted on the ASX website www.asx.com.au;

C. the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate;

D. the Company's compliance with ASX continuous disclosure requirements; and

E. all public announcements and associated documents, which are made available on the Company website at www.shaleenergy.com.au

7.4 The role of Shareholders

The Board aims to ensure that the Shareholders are informed of all major developments affecting the consolidated entity's state of affairs:

A. Proposed major changes in the consolidated entity that may impact on share ownership rights are submitted to a vote of Shareholders.

B. Notices of all meetings of Shareholders are made available to Shareholders.

C. The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the Shareholders as single resolutions.

D. The Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares and changes to the Constitution. Copies of the Constitution are available to any Shareholder who requests it.

E. The External Auditor is to attend the Annual General Meeting and is available to answer Shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report.

7.5 Audit committee

The Board holds the responsibilities of the audit committee. This may change in the future depending on the size and scope of the Company.

7.6 Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost-effective internal control system will preclude all errors and irregularities. The Board believes that the current cost control framework to be suitable to the Company's current operations. There is no internal audit function as the cost would significantly outweigh the benefits. This will be reviewed in the future depending on the size and scope of the Company.

While the Board does not carries out the day to day operations of the Company, the Chief Executive Officer is appointed and he together with Chief Operating Officer and the Chief Financial Officer/Company Secretary have been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight.

7.4 Trading policy

The Company's policy regarding Directors and employees trading in its securities is set by the Board. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

7.5 Conflict of interest

In accordance with the Corporations Act and the Company's Constitution, the Directors must keep the Board advised on an ongoing basis of any interest that could potentially conflict with those of the Company.

7.6 Independent professional advice

Each Director will have the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman will be required, which will not be unreasonably withheld.

7.7 Business risk management

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas that were initially identified and which will be regularly considered by the Board meetings include foreign currency fluctuations, performance of activities, human resources, the environment and continuous disclosure obligations.

7.8 Ethical standards

The Board's policy is for all Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

The Company has a Diversity Policy in place which provides a framework for establishing measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

7.9 Other information

Further information relating to the Company's corporate governance practices and policies can be obtained from the Company upon request.

8: Financial Information

8.1 Introduction

This section contains the following financial information for the SEL Group prepared by the Directors:

8.2 Historical Trading

Set out below are the historical audited consolidated statement of profit or loss for Shale Energy Limited and its controlled entity ("SEL") for the financial years ended 31 December 2013, 31 December 2012 and the reviewed consolidated statement of profit or loss for the 6 months ended 30 June 2014, herein collectively referred to as the "Historical Trading Information".

Consolidated Statement of Profit or Loss

	6 months ended 30-Jun-2014 $	12 months ended 31 Dec-2013 $	12 months ended 31-Dec-2012 $
Oil Revenue	344,513	685,962	-
Cost of Oil Sales	(146,588)	(145,154)	-
Gross Profit	197,925	540,808	-
Interest income	36	76	96
	197,961	**540,884**	**96**
Expenses			
Amortisation of oil well development costs	118,974	211,071	-
Legal and professional fees	29,717	47,355	10,303
Consulting	121,113	152,315	29,237
Travel, meals and accommodation expenses	19,515	33,214	15,429
IT costs	2,035	683	326
Secretarial services	9,000	12,733	1,116
Audit fees	9,000	23,800	18,000
Bank charges	440	2,435	544
Impairment of deferred exploration	-	70,246	-
Project evaluation costs written-off	400	21,875	
Other expenses	30,290	44,107	4,327
Total expenses	**340,484**	**619,834**	**79,282**
Loss before income tax expense	(142,523)	(78,950)	(79,186)
Income tax expense	-	-	-
Loss for the period / year	**(142,523)**	**(78,950)**	**(79,186)**

The 30 June 2014 half yearly review opinion was signed on 16 September 2014 by Walker Wayland NSW Chartered Accountants. The 31 December 2013 year end audit opinion was signed on 30 April 2014 by Walker Wayland NSW Chartered Accountants. The 31 December 2012 audit opinion was signed on 30 April 2013 by Walker Wayland NSW Chartered Accountants.

8.2.1 Directors commentaries on Historical Trading

The Company has incurred losses in its activities over the past three reporting periods reported which is consistent with the strategic aims of the Company being to grow its revenue base over the longer term involving considerable investment and resource allocation whilst revenues ramp up.

Already the Company has participated in the successful completion of three wells and a fourth is being developed as at the date of this prospectus. Two of these three wells have been completed in the last four months as outlined in Section 4. There can be a delay of several months to receive cash flow due to the legal processes involved with the allocation of royalty interests to the leaseholders, see Section 11, Report on SEL's Leasehold Interests for further detail.

The Company therefore expects to see a sizeable increase in its revenue on a monthly basis over the next quarter.

United States corporate income tax stands at 35%. However our wholly owned subsidiary Sustainable Australasia USA LLC ("SAU") as a company participating in the oil and gas industry in the U.S can make use of certain tax deductions specifically designed to attract investment into an industry deemed high risk.

SAU can deduct its share of Intangible drilling costs which are those costs with no salvage value that are incurred during well drilling operations. These include the costs of clearing ground, labour wages, drilling mud and other chemicals, supplies and repairs. Further these costs can be deducted against revenues in the financial year in which they were incurred. This then lends itself to a strategy of utilising free cash to develop further oil and gas wells so that the development program is maximised due to the reduction of assessable income and therefore tax payable.

8.3 Historical and Pro-forma Financial Information

The Directors are responsible for the inclusion of all financial information in this Prospectus. The Historical Financial Information which consists of the consolidated 30 June 2014 Statement of Financial Position and the Pro Forma Statement of Financial Position have been reviewed by Walker Wayland NSW, Chartered Accountants whose Independent Accountants' Report is contained in this Prospectus.

The 30 June 2014 half yearly review opinion was signed on 16 September 2014 by Walker Wayland NSW Chartered Accountants. The 31 December 2013 year end audit opinion was signed on 30 April 2014 by Walker Wayland NSW Chartered Accountants. The 31 December 2012 audit opinion was signed on 30 April 2013 by Walker Wayland NSW Chartered Accountants.

The Pro Forma Statement of Financial Position as at 30 June 2014 assumes completion of the transactions set out in Section 8.6.2 to the Historical and Pro Forma Financial Information as at that date ("Pro Forma Statement of Financial Position").

8.4 Basis of Preparation and Presentation of the Historical Financial Information and Pro Forma Statement of Financial Position

The Historical Financial Information as at 30 June 2014 and for the six month period then ended has been extracted from the reviewed general purpose financial statements of the Shale Energy Group for the half-year ended 30 June 2014 which have been prepared in accordance with AASB 134 "Interim Financial Reporting." No adjustments have been made to the audited or reviewed financial statements.

The Pro Forma Statement of Financial Position as at 30 June 2014 has been based on the reviewed financial report for the period ended at that same date. As set out in Section 8.5 to the Historical and Pro Forma Financial Information, the Pro Forma adjustments for items associated with the proposed listing have been made to compile the Pro Forma Statement of Financial Position as at 30 June 2014.

The Pro Forma Statement of Financial Position has been presented on the basis of a $3,500,000 million subscription for 17.5 million ordinary shares to be issued under the offer.

The financial information set out in the Prospectus has been prepared in accordance with the accounting policies of the Shale Energy Group and the recognition and measurement principles (but not all disclosure requirements) prescribed by Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board. The financial information contained in this Prospectus is presented in an abbreviated form and does not contain all the disclosures required by the Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act 2001.

The financial information in this section should be read in conjunction with;

- The summary of significant accounting policies and additional financial disclosures set out in Section 8.6.1;
- The Pro Forma adjustments set out in Section 8.6.2;
- The risk factors set out in Section 12 of this Prospectus; and
- Other information contained within this Prospectus

8.5 Consolidated Historical and Pro Forma Statement of Financial Position

	Note	Reviewed 30-Jun-14 $	Pro-forma Reviewed 30-Jun-14 $
Current Assets			
Cash at bank	8.6.3	218,939	3,359,614
Trade and other receivables		143,995	143,995
Total Current Assets		**362,934**	**3,503,609**
Non-Current assets			
Financial assets	8.6.4	404,851	518,824
Intangible assets	8.6.5	203,578	203,578
Deferred exploration	8.6.6	193,991	371,725
Deferred tax assets	8.6.7	-	-
Total Non - Current Assets		**802,420**	**1,094,127**
Total Assets		**1,165,354**	**4,597,736**
Current liabilities			
Trade and other payables	8.6.8	312,686	184,616
Financial liabilities	8.6.9	-	457,563
Total Current Liabilities		**312,686**	**642,179**
Total Liabilities		**312,686**	**642,179**
Net Assets		**852,668**	**3,955,557**
Equity			
Share capital	8.6.10	1,597,162	4,857,428
Accumulated losses	8.6.11	(766,176)	(993,553)
Share based payments reserve	8.6.3b	-	70,000
Foreign currency translation reserve		21,682	21,682
Total Equity		**852,668**	**3,955,557**

8.6 Notes to the Historical and Pro Forma Financial Information

8.6.1 Summary of Significant Accounting Policies

The significant accounting policies adopted by the Shale Energy Group in preparing the Historical Financial Information at 30 June 2014, and the Pro Forma Statement of Financial Position as at 30 June 2014 are set out below.

The directors have prepared the Historical Financial Information, which consists of the reviewed 30 June 2014 consolidated statement of financial position and the pro-forma reviewed consolidated statement of financial position on the basis that the company is a reporting entity because there are users dependent on general purpose financial statements. The financial statements are therefore general purpose financial statements that have been prepared in order to meet the needs of the members.

Except as otherwise stated, the financial information has been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined are appropriate to present for inclusion in a prospectus in Australia.

Pro Forma Financial Information as at 30 June 2014 assumes completion of the contemplated transactions disclosed in Section 8.6.2 of the Prospectus and has been separately prepared in accordance with Australian Equivalents to International Financial Reporting Standards ("AIFRS").

The financial information has been prepared on an accruals and historical cost basis and is presented in Australian dollars.

The following significant accounting policies have been adopted by the Group in the preparation and presentation of the Historical Financial Information.

a) Income Tax

The income tax expense or benefit for the year is the tax payable on the current year'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 bases of assets and liabilities and their carrying amounts in the historical financial information, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and any unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

b) Recognised Financial Assets

Classification

The Group classified its financial assets in the following categories: available for sale assets, and loans and receivables. The classification depends on the purpose for which assets were acquired. Management determines classification of its assets at initial recognition.

(i) Available for Sale Assets
Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

The capital cost incurred by SEL to acquire the relevant lease interests in the Hawk Eye, Yauch, Dorothy and Horovitz wells have been recognised as financial assets, and accordingly these assets have been designated as 'available for sale' financial assets.

(ii) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at cost, being the fair value of the consideration given plus acquisition costs, when the related contractual rights or obligations exist. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent Measurement

Loans and receivables are carried at amortised cost using the effective interest method. Available for sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in fair value due to translation differences arising from changes to amortised cost are recognised in profit and loss, with other changes recognised in equity.

Impairment

At each reporting date, the Group 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 statement of profit or loss. 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

c) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of oil is recognised when the well operator advises the Group of its share of each month's gross sale proceeds at which point the significant risks and rewards of ownership have passed to the buyer and can be reliably measured.

Interest Revenue

Revenue is recognised as interest accrues taking into account the effective yield on the financial asset.

d) Borrowings

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs include interest on bank loans and overdrafts and finance charges in respect of finance leases. Borrowing costs incurred for the construction of a qualifying asset are capitalised during the year of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities 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.

f) Goods and Services Tax (GST)

Revenues, expenses 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.

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

g) Fair Value

Fair values may be used for financial asset and liability measurement and as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price and the quoted market price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at the reporting date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

h) Foreign Currency Translation

The functional and presentation currency of Shale Energy Limited is Australian dollars (A$).

Foreign currencies transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

i) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

j) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of GST, from the proceeds.

k) Oil and Gas assets

i) Deferred exploration

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

Deferred exploration costs are transferred to intangible assets when the operator of the well commences oil extraction which then ultimately results in oil sales for the SEL group.

ii) Intangible assets

Development costs in relation to the Oil and Gas leasehold interest are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably by the operator of the wells, in the form of oil sale receipts.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits, being the amount of oil barrels extracted divided by the total estimated reserves within the area of interest.

l) Share based payments

Share-based payments to employees and service providers are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

m) Key Judgements

i) Exploration and Evaluation Expenditure

The Group capitalised expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at the amounts stated in the statement of financial position.

ii) Share based payments

The share based payments calculation for the purposes of the option valuation, which applies the use of the Black Scholes Option Pricing Model, requires the input of a stock price volatility. As Shale Energy Limited is not listed at this point in time, volatilities of comparable ASX listed entities have been considered and a volatility has been selected based upon the comparable companies. Accordingly the volatility used and the resulting fair value is a significant judgement and estimate.

iii) Intangible assets

Intangible assets are amortised on the basis of oil extracted as a percentage of the total estimated recoverable oil within the well. The total estimated oil within each well is determined by independent experts who exercise their own judgments in making their estimates.

8.6.2 Pro Forma Statement of Financial Position and Pro Forma adjustments

The Pro Forma Statement of Financial Position has been extracted from the reviewed Statement of Financial Position as at 30 June 2014 on the basis that the following transactions have been effected as at 30 June 2014:

i) On listing, the Shale Energy Limited will issue 17,500,000 fully paid ordinary shares at $0.20 each to raise $3,500,000.

ii) The recognition of $467,111 of costs associated with the raising capital under the Offer, of which $358,867 has been charged to equity and $108,244 to accumulated losses.

iii) The drawdown of a $457,563 (US$400,000) loan from Bancfirst to assist with the further exploration and development of oil leasehold interests and to acquire the Horovitz leasehold interest.

iv) Payment of exploration costs in relation to the Yauch and Dorothy leasehold interests for a total of $351,393.

v) Payment of $68,384 (being a part payment) to acquire a 1.56% leasehold interest in the Horovitz wells, plus a further amount of $45,589 to be paid.

8.6.3 Cash Assets

The Pro Forma cash assets have been calculated as follows:

	Adjusting Event	As at 30 June 2014 $
Cash at bank pre Offer		218,939
Proceeds from the Offer	a.	3,500,000
Payment of offer costs	b.	(397,111)
Draw down of Bancfirst loans	c.	457,563
Payment for oil exploration	d.	(351,393)
Part Payment for Horovitz leasehold interest	e.	(68,384)
Subscription Pro Forma cash position		**3,359,614**

The Pro Forma cash position in the Pro Forma Statement of Financial Position has been arrived at after adjusting for the impact of:

a. The receipt of proceeds from the Offer amounting to $3,500,000 in relation to a minimum subscription of 17.5 million fully paid shares at an issue price of $0.20 per Share. See Section 3 of the Prospectus.

b. The payment of expenses of the Offer estimated at $397,111 for the subscription. See Section 14.11 of the Prospectus. This amount excludes the fair value of the 3 million options to be issued to the brokers, being $70,000 calculated in accordance with AASB 2 'Share Based Payments.'

c. The drawdown of a $457,563 (US$400,000) loan from Bancfirst to assist with the further exploration and development of the groups oil assets.

d. Payment of development costs in relation to the Yauch and Dorothy leasehold interests for a total of $351,393.

e. A Part Payment of $68,384 to acquire a 1.56% leasehold interest in the Horovitz wells.

8.6.4 Financial Assets

The Pro Forma financial assets comprises of the following:

	As at 30 June 2014 $
Area of Interest:	
Hawk Eye Wells	205,255
Yauch Wells	95,551
Dorothy Wells	104,045
Financial assets pre offer	404,851
Part payment for acquisition of 1.56% Area of Interest in Horovitz Wells	68,384
Final amount to be paid for Horovitz acquisition	45,589
	518,824

8.6.5 Intangible Assets

The Pro Forma intangible assets position comprises of the following:

	As at 30 June 2014 $
Hawk eye wells	
At cost	532,623
Less: accumulated amortisation	(329,045)
Intangible assets pre offer	203,578
Adjustments	-
Intangible assets post offer	**203,578**

The above intangibles balances have been tested for impairment as at 30 June 2014 and the directors are of the opinion that no impairment write-downs are necessary.

8.6.6 Deferred exploration

The Pro Forma deferred exploration position comprises of the following:

	As at 30 June 2014 $
Yauch	152,636
Dorothy	41,355
Deferred exploration pre offer	193,991
Exploration expenditure on Yauch & Dorothy lease	177,734
Pro-forma Deferred exploration post offer	**371,725**

8.6.7 Deferred tax assets

The Pro Forma deferred tax assets comprises of the following:

	As at 30 June 2014 $
Deferred tax assets pre offer	-
Tax effect of capital raising costs	119,133
Write-off of deferred tax asset	(119,133)
Pro-forma Deferred tax assets post offer	**-**

8.6.8 Trade and other payables

The Pro Forma trade and other payables position comprises of the following:

	As at 30 June 2014 $
Trade and other payables pre offer	312,686
Repayment of Yauch & Dorothy exploration expenditure accrued at June 2014	(173,659)
Accrual of Horovitz Area of Interest final payment	45,589
Pro-forma Trade and other payables post offer	**184,616**

8.6.9 Financial liabilities

The Pro Forma financial liabilities relating to the US bank loan is as follows:

	As at 30 June 2014 $
Financial liabilities pre offer	-
Draw down of funds from US bank	457,563
Pro-forma Financial liabilities	**457,563**

8.6.10 Contributed equity

The Pro Forma contributed equity position has been calculated as follows:

	$	No. of Shares
Contributed equity pre Offer	1,597,162	22,257,237
Subscription proceeds from the Offer	3,500,000	17,500,000
Costs associated with the Offer taken to equity	(358,867)	-
Tax effect on capital raising costs	119,133	
Pro Forma contributed equity	**4,857,428**	**39,757,237**

The contributed equity in the Pro Forma Statement of Financial Position has been calculated after adjusting for the impact of:

- The issue of 17.5 million fully paid ordinary shares at an issue price of $0.20 per share amounting to $3,500,000.
- Costs associated with the offer of $358,867, which have been recognised as a debit to equity and $108,244 share issue costs have been recognised against accumulated losses, resulting in total share issue costs of $467,111.
- Tax effect of capital raising costs that are deductible as black hole expenditure over 5 years, $119,133 being 30% of ($467,111 minus $70,000).

8.6.11 Accumulated losses

The Pro Forma accumulated losses is as follows:

	As at 30 June 2014 $
Accumulated losses pre offer	(766,176)
Capital raising costs expensed	(108,244)
Write-off of deferred tax asset as not considered probable	(119,133)
Pro-forma accumulated losses	**993,553**

8.6.12 Contingent liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable are set out below:

The parent entity signed a guarantee agreement with a US bank, Bancfirst in order for the US subsidiary to execute a $2,280,000 ($US2,000,000) loan facility, of which $457,563 (US$400,000) has been drawn down subsequent to year end.

8.6.13 Subsequent Events

The following subsequent events have occurred which have been adjusted within the general purpose financial information as at 30 June 2014.

Subsequent to period end, in July 2014 a total of $173,659 (US$151,517) was paid to develop the Yauch and Dorothy wells. The funds were obtained from a draw down in the Bancfirst loan.

Subsequent to period end on 21 October 2014 Shale Energy Group has continued to focus its growth in pursuing quality acreages in Mckenzie County by acquiring a 1.56% Leasehold Interest in the Horovitz 10-09 unit for a total consideration of $113,973 (US$100,000). On 21 October 2014 $68,384 was paid and a further $45,589 is payable. The wells are operated by the Sinclair Oil and Gas Company, a 100 year old oil and gas developer, refiner and distributor.

walker wayland

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9: Independent Accountant's Report

17 November 2014

The Board of Directors
Shale Energy Limited
Suite 1008, Level 11
37 Bligh Street
SYDNEY NSW 2000

Dear Directors,

INDEPENDENT ACCOUNTANTS' REPORT ON HISTORICAL TRADING INFORMATION AND HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have prepared this Independent Accountants' Report ("Report") at the request of the Directors of the Shale Energy Limited consolidated group ("SEL" or "SEL Group") for inclusion in a prospectus dated on or about 17 November 2014 ("the Prospectus") relating to the offer of 17.5 million ordinary shares at an issue price of $0.20, amounting to $3.5 million, before issue costs ("the Offer"). The SEL Group proposes to seek admission to the Official List of the Australian Securities Exchange Limited ("ASX").

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

2. Scope

We have been requested to prepare an Independent Accountants' Report covering the following financial information:

- The Statement of Profit or Loss for the 6 month period ended 30 June 2014, 12 months ended 31 December 2013 and 12 months ended 31 December 2012; herein referred to as the "Historical Trading Information";
- General Purpose Historical Statement of Financial Position of the SEL Group as at 30 June 2014; and
- Pro Forma Statement of Financial Position of the SEL Group as at 30 June 2014, which assumes completion of the contemplated transactions disclosed in Section 8.6.2 of the Prospectus ("the Pro Forma Transactions") separately prepared in accordance with Australian Accounting Standards ("AASBs") and in accordance with Australian Equivalents to International Financial Reporting Standards ("AIFRS").

The above 2 points are collectively referred to as the Historical & Pro-forma Financial Information.

The Historical and Pro-forma Financial Information set out in Section 8.5 of the Prospectus has been extracted from the reviewed financial statements of the SEL Group as at 30 June 2014. The Directors are responsible for and have prepared the Historical and Pro Forma Financial Information, including determination of the adjustments as set out in Section 8.6.2 of the Prospectus in accordance with AASBs and AIFRS.

In accordance with the terms of our engagement, this report does not address the future prospects or forecasts of the SEL Group, nor risks associated with an investment in the SEL Group. We disclaim any responsibility for any reliance on this Report or on the Historical Trading Information and The Historical and Pro-forma Financial Information to which it relates for any purpose other than for which it was prepared. This Report should be read in conjunction with the full Prospectus.

Partners: RS Woods, SE Arnold, PW MacLean, GD Allsopp, MS Walker, DM Ross
Consultants: AS Roger, HC Thomas, PJ Longhurst, SL Horry

An independent member of BKR International
An independent member of Walker Wayland Australasia Limited

Liability limited by a scheme approved under Professional Standards Legislation

2.1 Review of Historical Trading Information and Historical Financial Information

We have conducted an independent review of the Historical Trading Information and the Historical Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Historical Financial Information is not presented fairly, in all material respects, in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, inquiries of management personnel, analytical procedures applied to the financial data and certain limited verification procedures. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

2.2 Review of Pro Forma Financial Information

We have conducted an independent review of the Pro Forma Financial Information in order to state whether the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- The Pro Forma Financial Information has not been prepared on the basis of the assumptions set out in Section 8.6.2 of the Prospectus; and
- The Pro Forma Financial Information has not been prepared applying the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the Pro Forma transactions referred to above had occurred as at 30 June 2014.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, reading of contracts and other legal documents, inquiries of management personnel and analytical procedures applied to the financial data. We have also determined whether the Pro Forma transactions form a reasonable basis for the preparation of the Pro Forma Financial Information. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Financial Information.

3. Conclusions

3.1 Review Statement on Historical Trading Information and Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention, which causes us to believe that the Historical Trading Information for the half yearly period ended 30 June 2014, twelve months ended 31 December 2013 and twelve months ended 31 December 2012 and the Historical Financial Information as set out in Section 8.2 and 8.5 respectively of the Prospectus are not presented fairly, in all material respects, in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, including the financial position of the SEL Group as at 30 June 2014.

3.2 Review Statement on Pro Forma Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the Pro Forma Financial Information as set out in Section 8.5 of the Prospectus:

- Has not been prepared on the basis of the assumptions as set out in Section 8.6.2 of the Prospectus of the Shale Energy Group as at 30 June 2014; and
- Has not been prepared applying the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the Pro Forma transactions set out in Section 8.6.2 of the Prospectus had occurred on that date.

3.3 Review Statement on AIFRS Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the AIFRS financial information contained in 8.5 of the Prospectus has not been prepared in accordance with the recognition and measurement principle prescribed in AIFRS effective at the date of this report relevant to the SEL Group.

4. Subsequent events

Apart from the matters dealt with in Section 8.6.2 and 8.6.13 of the Prospectus, and having regard to the scope of our report, to the best of our knowledge and belief, no material transactions or events outside of the ordinary business of the SEL Group 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.

5. Disclosure

Walker Wayland NSW, Chartered Accountants does not have any interest in the outcome of this Offer other than normal professional fees that will be received for the preparation of this Report.

The Directors have agreed to indemnify and hold harmless Walker Wayland NSW, Chartered Accountants and it employees from any claims arising out of misstatement or omission in any material or information supplied by the Directors for the purpose of this Report.

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

Yours faithfully,

Grant Allsopp
Partner
Walker Wayland NSW
Chartered Accountants

10: Independent Geologist's Report

Wells and Projects - Bakken, Williston Basin, North Dakota
Prepared for Shale Energy Limited by Kathleen Neset, Neset Consulting Service Inc

Introduction

Shale Energy Limited (SEL) has requested Neset Consulting Service (NCS) to review and evaluate the SEL projects for oil reserves and economic prospect in relation to defined reserve quantities. The project locations all lie within the Williston Basin of North Dakota in the Bakken Petroleum System (BPS). This report has been completed for inclusion in a prospectus to be issued by SEL dated on or around the 17th November 2014. NCS has provided its permission for inclusion of this Report and has not withdrawn that permission.

Table 1. Location Summary of SEL Projects

Well Name	Operator	Location
Hawkeye 3-2413H	EOG Resources	152N-95W-Section 13/24, McKenzie Co.
Dorothy 3-27HST	SM Energy	163N-101W-Section 27/34, Divide Co.
Yauch 03-04-1H	Sinclair	147N-98W-Section 3/4, McKenzie Co.
Horovitz 10-09-1H	Sinclair	147N-98W-Section 9/10, McKenzie Co.

Report Purpose and Overview

Neset Consulting was contacted to provide general Bakken Petroleum System reserve estimates for:

- Sections 13, 24-152-095 in McKenzie County, North Dakota
- Sections 27, 34-163-101 in Divide County, North DakotaSections 3, 4-147-098 in McKenzie County, North Dakota
- Sections 9, 10-147-098 in McKenzie County, North Dakota

Probabilistic Monte Carlo and Geostatistical Simulation methods were employed to produce reserve estimates.

Deliverables contained in this report are:

- Ultimate Recovery Reserve Estimate Table
- Geographical Information System Maps
- Writeup

Geological and Geochemical history of the Bakken Petroleum System.

The Bakken Petroleum System (BPS), located in the Williston Basin, is a series of formations containing the Three Forks, Bakken and lower portion of the Lodgepole. As of late the Bird Bear formation in some areas has been added to this system also. This could be from interconnecting formations through leaky faults or erosional unconformities. The latter may be especially true in the South Western portion of the BPS.

The BPS was formed in a subtle cyclical transgressive-regressive intercontinental sea undergoing simultaneous subsidence and uplift. These conditions created high and low energy oxic and anoxic periods.

Upper and Lower Bakken and Three Forks Shaley Zones

What are considered shales in the BPS were formed from shale sized particles that do not necessarily contain a majority (>50%) pottasic aluminum bearing clays as with most typical shales. The BPS shaley units formed in a low energy anoxic environment based on high kerogen levels upwards to 25% by volume and particle size. During transgressive low energy cycles the deeper more anoxic center formed a majority of the kitchen for the BPS. When the BPS shales were formed they were truly more of a clay containing mudstone having very high porosities at shallow uncompressed depths. Potassium, Thorium and Uranium content are what give BPS shales a high gamma reading.

Through time, subsidence, burying, pressure, and increased temperature the shales matured along with the organic material eventually forming very low porosity high kerogen rock. The high porosity of shallow clayey mudstones allows a great amount of water and organic matter to be accumulated. High organic content can lead to a great amount of kerogen and ultimately hydrocarbons to be produced. High Three Forks oil saturations/cuts below low oil saturations/cuts in known naturally fractured environments entertain the possibility that the high kerogen “plastic like” Lower Bakken Shale heals itself in the event of fracture formation and forms a good seal irregardless of fracture density.

Carbonate bearing Siltstones and Mudstones of the Middle Bakken and Three Forks

A higher energy deeper sea creates more oxic conditions at lower depths. This will disallow the formation of hydrocarbons where organic matter is oxidized with the end result being carbonate bearing minerals.

During high energy oxic cycles the porous Middle Bakken and porous benches of the dolomitic Three Forks were formed. Dolomites are found generally in greater proportions around the shallower edges of the Bakken grading back into a limestone at the shallowest depths of the Bakken that did not undergo dolomitization. This phenomenon contributed to conditions in the central region of the Middle Bakken where the carbonate portion of the siltstone is generally more calcic than dolomitic except along the Nesson Anticline.

Dolomites are found forming in evaporative saline to briny shallow water areas along beach fronts where tides cause the capture of seawater. Dolomite can be formed through calcite dolomitization which increases rock porosity. Dolomites can also be directly precipitated from brine, causing a plugging of pore space. Sabkhas are perfect examples of where dolomites, reflux dolomites and anhydrites can form.

A caution is given to anhydrite bearing formations as they can form pore plugging environments upon production. They can also supply sulfur for sulfate reducing bacteria. In the case of BPS wells this can cause an increase of H_2S and reduced production. Anhydrite layers have been documented in some Three Forks wells. Anhydrites can be detected through mudlogging, x-ray diffraction while being identified in the stratum using multi-mineral petrophysics and advanced wireline arrays such as Elemental Capture Spectroscopy also known as ECS. The density log usually registers around 2.96 gm/cm3 for anhydrite. Keeping the formation from reaching the minimum miscibility pressure point by choking back the well can help inhibit the precipitation of pore and well plugging anhydrites, salts, asphaltenes and waxes. Degassing can cool the formation.

Fracture hierarchy is as follows:
Dolomites > Sandstones > Limestones

This relays the fact that Dolomites are the most brittle and fracture with highest densities or fractures per cubic foot. Knowing formation mineralogy warrants different strategies regarding fracture stimulation methods and treatments.

Fracture stimulation and Production of Bakken Petroleum System wells

In North Dakota initially BPS production started in 1955. A great amount of oil was present in these early Bakken, Sanish and Three Forks wells but it was not long before they found its production was difficult given the technology of the time. Good BPS production was associated with natural fractures and traps. The 1980’s brought in the technology of drilling horizontal wells but with no fracture stimulation. In the mid 2000’s single stage or bullhead fracture stimulation was developed using a natural or synthetic proppant to keep fractures open. This eventually developed into multi stage fracture stimulation using an approach best described as hammering the wellbore in divided intervals as opposed to trying to fracture it all at once using a single stage. This allows more pounds per area to be applied and increases the success of creating and propagating a fracture.

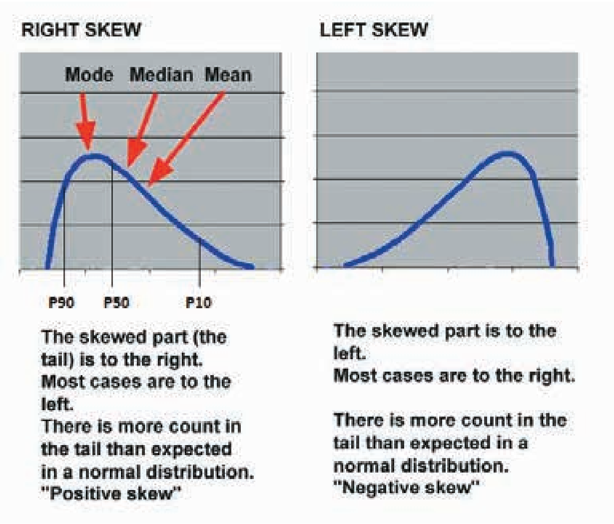
The purpose of fracture stimulation is not to propagate a single large fracture out as far away from the formation as possible. Instead the purpose and goal is to contact as much of the formation near the well bore as possible. This because most of the fluids are in a bound state that can only flow under Knudsen Diffusion. Diffusion is a very slow process but when fracture density approaches a certain point in the rock, diffusion is no longer a bottle neck. Multistage fracturing allows more of the near wellbore matrix rock to be contacted by fractures.

Many BPS wells have production rates that peak to upwards of 10 mbo/mo and in rare cases even 50 mbo/mo in the first six months of production and then gradually decrease to a steady rate of between 0.5 to 4 mbo/mo .

Stochastic Formation Analysis and Forecasting for Bakken Petroleum System Reserves

Given the success of Unconventional Bakken, Three Forks, Pronghorn, and Sanish wells a basic SPE/WPC/AAPG/SPEE reserve classification method is used in table 1 relying more on spatial stochastic and spread sheet Monte Carlo simulation.

In order to understand Table 1 some basic assumptions are made given a lognormal or positively skewed distribution:



- P90/1P/Proven/low case estimate: There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate. This should be the minimum value at which the drilling campaign will pay for its self. This given the assumption that the whole section is contacted and produced from through fracture stimulation, natural fractures or conventional production methods.
- P50/2P/Probable/mid case estimate: There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- P10/3P/Possible/high case estimate: There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.
- Negatively skewed distributions are generally found describing oil saturation and oil cut in zones where the majority of values are above fifty percent. This effect is washed out when forming OOIP and EUR stochastic classifications because of the multiplicative nature of Monte Carlo simulation.
- Section/Formation/Zone status is classified as such:
- Developed: There is at least one well producing in the section showing successful production.
- Undeveloped: There are no wells producing in the section

Maps

Attached maps 1 through 8 were produced to help readers understand Oil Cut relationship to:

- Structures
- Lineaments and Faults
- Sections of Interest

The difference map (Map 8.) between the Three Forks and Bakken ranges from a negative number to a positive number. When this number is negative it means on average the Three Forks has a higher oil cut than the bakken wells above it for that section. Negative values suggests that there was no migration from the Three Forks up into the Bakken where as the inverse suggests there could have been. Main thing it does, is suggest which formation one may want to go to first in order to start an income stream from a wildcat. Formation wettability can also be used to explain the difference but is harder to understand as core and relative permeability analysis is needed. Historical faults appear to correlate to both increased production or decreased production. Some studies showed that H2S levels were increased in wells that intersected faults.

Results and Discussion

1) Dorothy 3-27HST and Sections 27,34-163-101 in Divide County, North Dakota

The Dorothy well produces from an area that favors Three Forks production over Bakken production. All production maps suggest that when moving in the southwest direction from sect 27 and 34, production oil cut drops off very quickly for both formations. The Brockton-Froid fault system runs in a very close proximity to this area and orthogonal faults may run through sections southwest of the Dorothy well. Staying in areas North and East of the transition zone should allow more successful drilling campaigns.

2) Hawkeye 3-2413H and Sections 13,24-152-095 , Antelope Field in McKenzie County, North Dakota

The Hawkeye well is proving to be a phenomenal producer at 16 mbo/mo and appears to favor better oil cuts in the Three Forks/Sanish than in the Bakken proper. Production to date has been 0.42 MMSTB from sections 13 and 24. Production from sections 30,31-152-094 south east of Hawkeye 3-2413H has shown good production from the lower 2nd bench of the Three Forks. The Antelope Field is a well known anticlinal structure with good natural fracture development. Further characterization may be warranted to understand trap closure development and whether production from the 2nd bench is from bound oil saturations or due solely to oil capture inside the anticline. NDIC Well 17309 has a full suite of logs with core for the second and possibly third bench and it shows little to no oil in these horizons while the famous Charlotte well to the west shows only 50 ft of pay in core. Recommendation would be to drill and core a well to the lower Nisku/Birdbear before kicking off a 16 lateral campaign to understand the formation better in this region. In many of the sections looked at the Birdbear appeared to have decent porosity development and better oil saturations than many of the lower benches of the Three Forks.

3) Yauch 03-04-1H, Horovitz 10-09-1H and Sections 3,4,9,10-147-098 in McKenzie County, North Dakota

The sections in this area are right in the top of the Little Knife Anticline fault system. In this zone there is no lower Bakken shale so all production is coming from most likely the Middle Bakken. Being an anticlinal system it is naturally fractured and production from the Yauch well is showing promise at about 533 bo/d. Based on the Bakken P10 Oil cut map development should be initially in the south and southeast directions as there is a slight transition with decreasing oil cut in the southwest direction.

Table 2. Estimate of Ultimate Recovery MMSTB for North Dakota Lease Units

Wildcat or Initial Wells		Dorothy 3-27HST*				Hawkeye 3-2413H*								Yauch 03-04-1H* Horovitz 10-09-1H*			
Section Township Range		27-163-101		34-163-101		13-152-095				24-152-095				4-147-098	3-147-098	9-147-098	10-147-098
Map Location		1				2								3			
Formation or zone		Bakken	Three Forks	Bakken	Three Forks	Bakken	Three Forks	Three Forks Bench 2	Three Forks Bench 3	Bakken	Three Forks	Three Forks Bench 2	Three Forks Bench 3	Bakken	Bakken	Bakken	Bakken
P90 (1P or Proven)	EUR MMSTB	0.21	0.25	0.34	0.20	0.25	0.39	0.53	0.02	0.26	0.36	0.50	0.02	0.10	0.11	0.10	0.09
P50 (2P or Probable)		0.31	0.43	0.47	0.34	0.35	0.64	0.75	0.03	0.37	0.61	0.71	0.03	0.16	0.17	0.15	0.15
P10 (3P or Possible)		0.44	0.67	0.63	0.52	0.47	0.93	1.03	0.05	0.49	0.87	0.99	0.05	0.24	0.24	0.22	0.23
Current Cumulative Production		0.00	0.01	0.00	0.01	0.21	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.01	0.01	0.00	0.00
Status [Developed (DEV) or Undeveloped (UND)]		UND	DEV	UND	DEV	DEV	UND	UND	UND	DEV	UND	UND	UND	DEV	DEV	UND	UND
Structure and Fault System		Close proximity to the Brockton-Froid Fault system				Enclosed within the Antelope Anticline Fault system with close proximity to the Nesson Anticline Fault System								Enclosed within the Little Knife Anticline Fault system with close proximity to the Heart River fault system			
Comments and Observations		Good Location. Lateral oil cut profile near area shows sharp transition common with fault systems. Wells in area have unorthodox paths.				Very good location with current production nearing P90/1P/Proven values in short time frame. Lowest bench needs better data and evaluation to prove higher reserves. No major lateral oil cut transition zones in maps. This gives an excellent prognosis that production may not be inhibited laterally.								Good Location. Lateral oil cut profile near area shows a gradual transition so further lateral development is promising.			

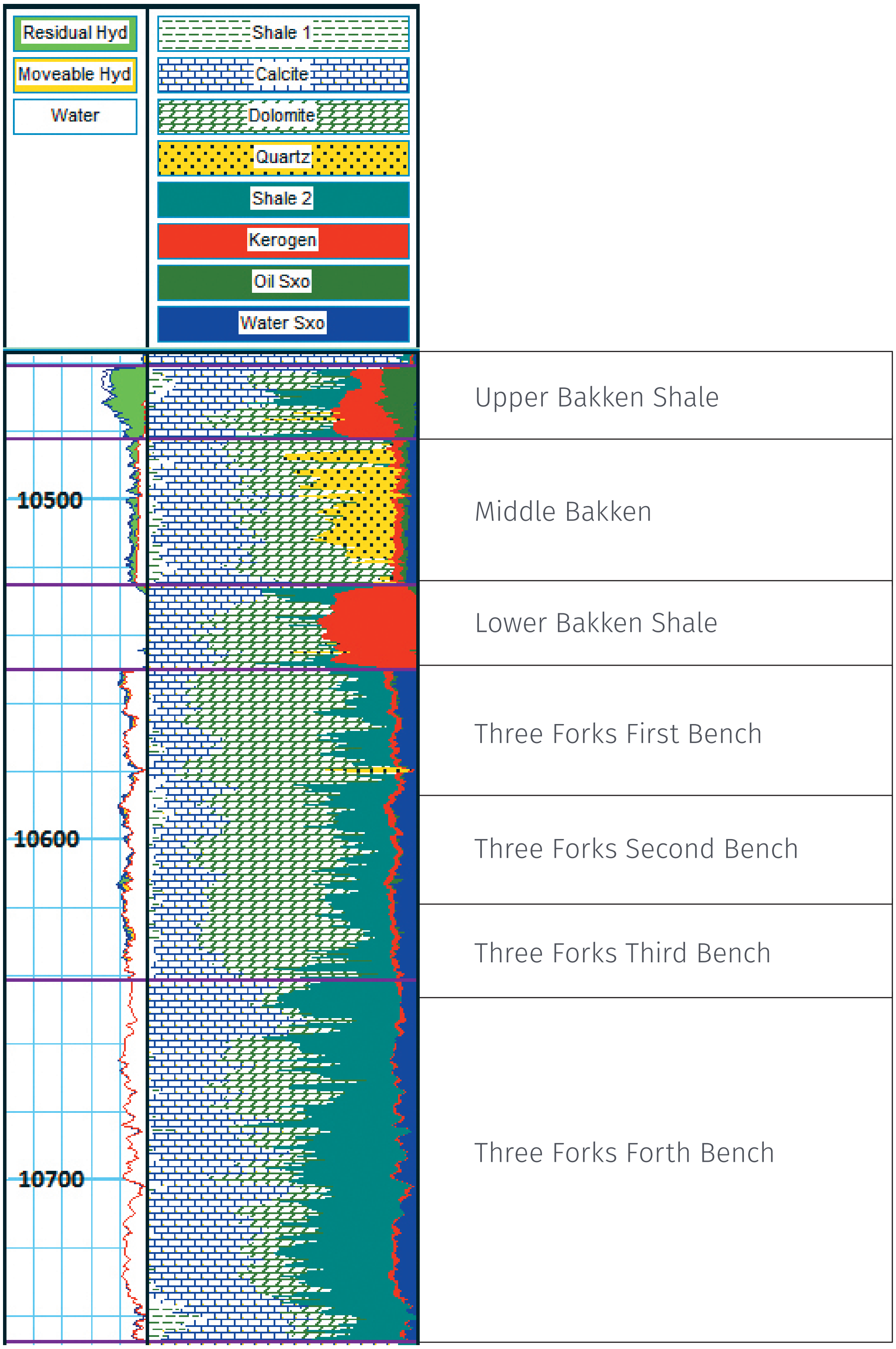
*Production data for wells is distributed evenly for given sections that the laterals cross. Wells near major faults can have unpredictable performance, especially when nearby wells are fracture stimulating. 0,1, and 2 dimensional modeling efforts in this table and report do not account for this phenomenon.

Table 3. Estimated Ultimate Recovery net to SEL

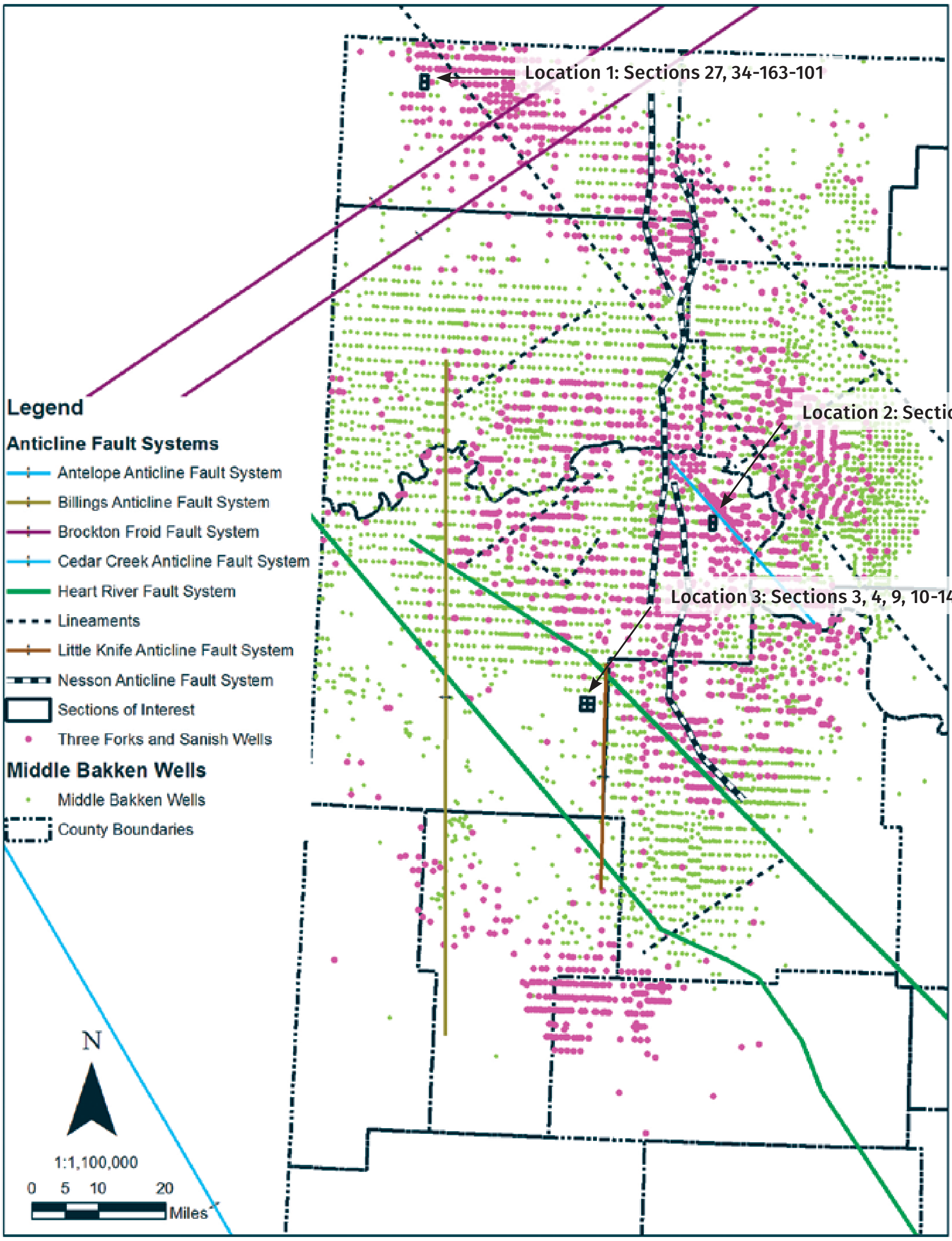
Lease/Reserve Category	Zone	Summary Estimated Recoverable Reserves (Gross) Oil (BBLs)	Estimated Recoverable Reserves (Net to SEL interest) Oil (BBls)
Hawkeye Lease			
1P (Proven), PDP	Middle Bakken	510,000	11,934
1P (Proven), PUD	Middle Bakken	1,530,000	35,802
	Three Forks 1st Bench	2,250,000	52,650
	Three Forks 2nd Bench	5,150,000	120,510
	Three Forks 3rd Bench	160,000	3,744
2P (Proven + Probable)	Middle Bakken	2,880,000	67,392
	Three Forks 1st Bench	3,750,000	87,750
	Three Forks 2nd Bench	7,300,000	170,820
	Three Forks 3rd Bench	400,000	9,360
Dorothy Lease			
1P (Proven), PDP	Three Forks	450,000	5,490
1P (Proven), PUD	Middle Bakken	550,000	6,710
2P (Proven + Probable)	Three Forks	770,000	9,394
	Middle Bakken	780,000	9,516
Yauch Lease			
1P (Proven), PDP	Middle Bakken	210,000	3,150
1P (Proven), PUD	Middle Bakken	420,000	6,300
2P (Proven + Probable)	Middle Bakken	660,000	9,900
Horovitz Lease			
1P (Proven), PUD	Middle Bakken	570,000	6,954
2P (Proven + Probable)	Middle Bakken	600,000	7,320
Total PDP		1,170,000	20,574
Total PUD		10,630,000	232,244
Total 1P (Proven)		**11,800,000**	**253,244**
Total 2P (Proven + Probable)		**17,140,000**	**371,452**

Fractional interest to SEL as per Title Report by Rock Rose Title PLC. The estimated reserve analysis above was completed on 11th November 2014.

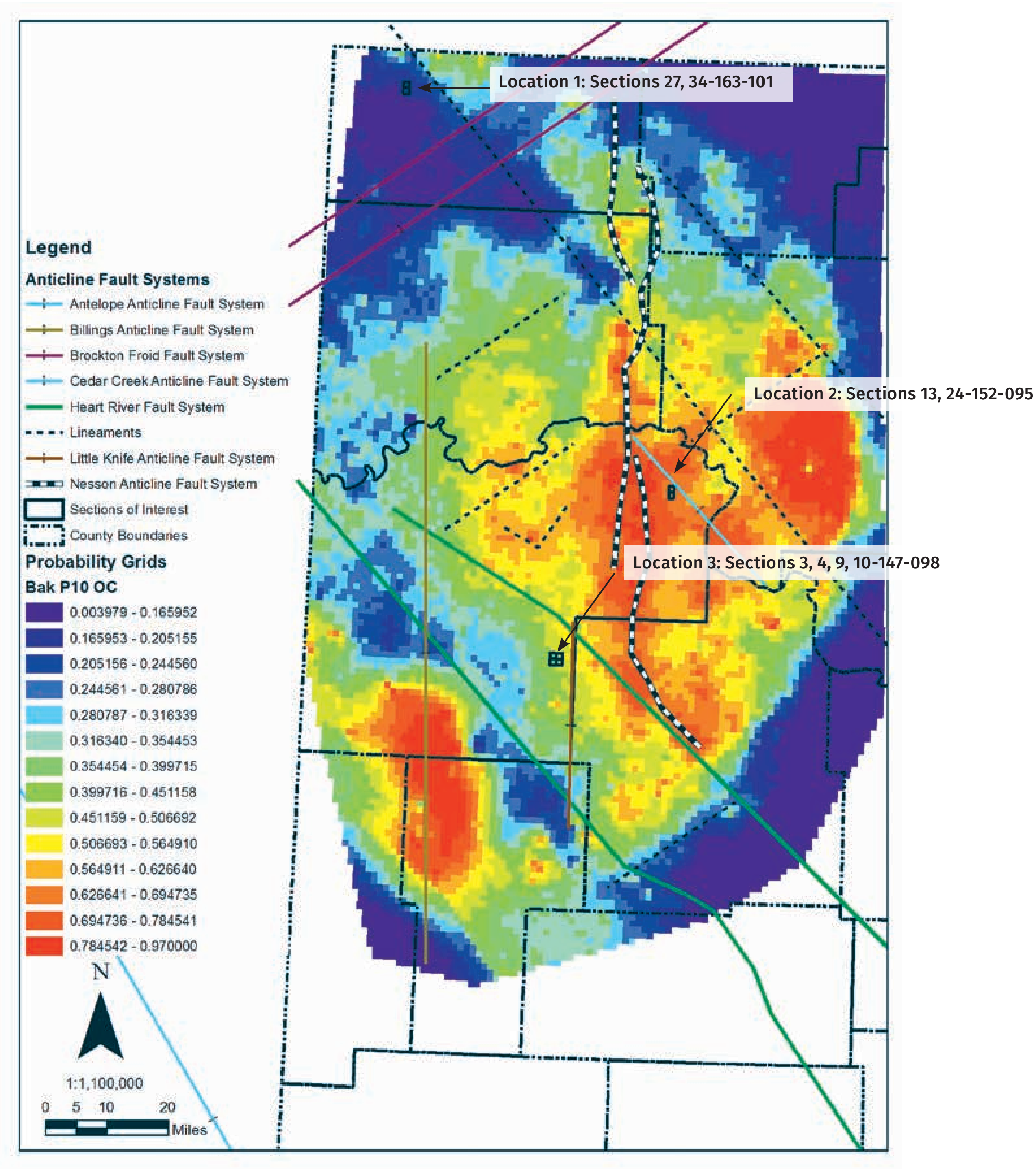
Typical Electronic Logs for Bakken and Three Forks Shales



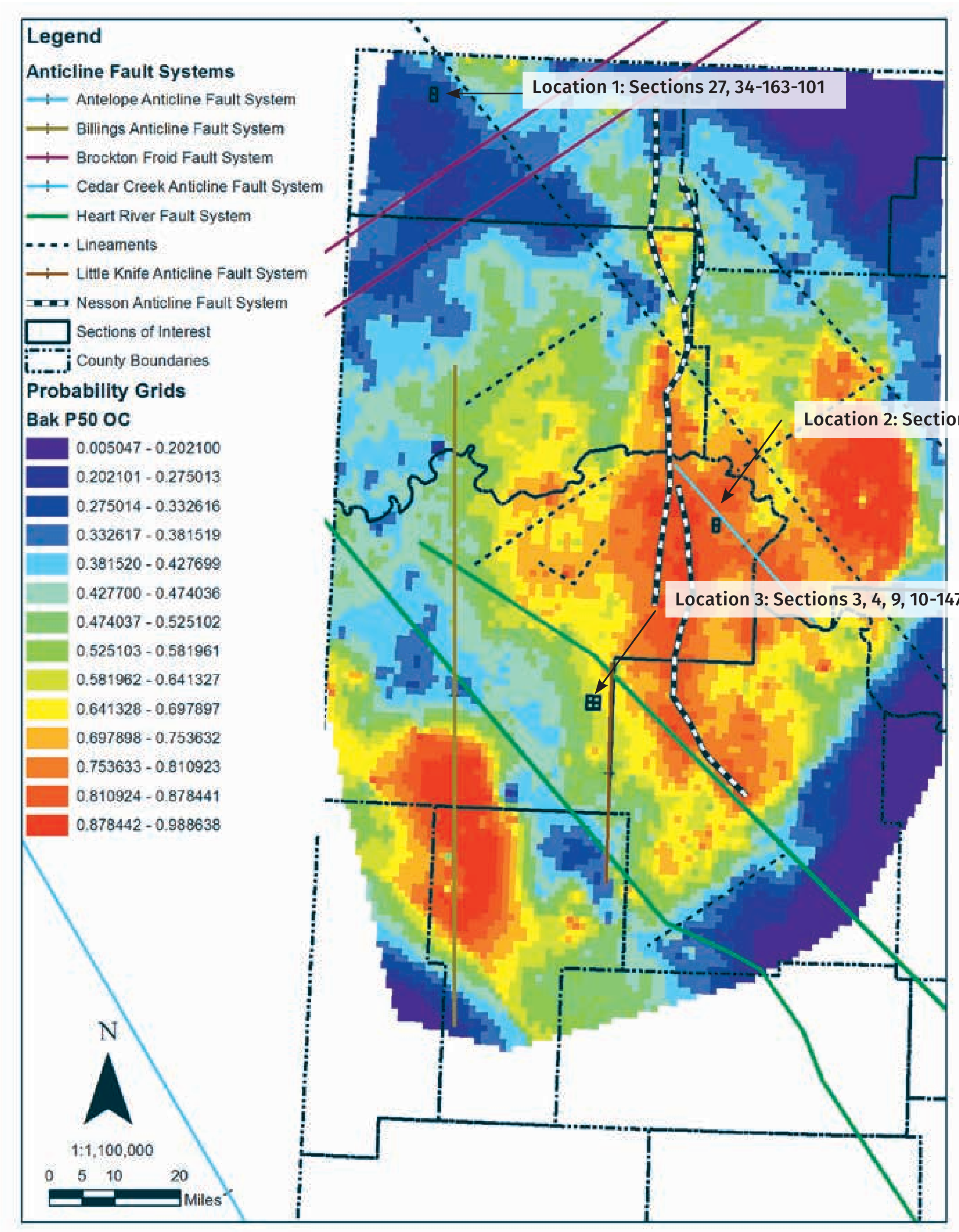
Map 1. Bakken and Three Forks Wells for stochastic modeling. Upper Bakken shale producers have been removed. Sections of interest outlined in black. Well location have been shifted to the center of each lateral as to better represent production from the formation.



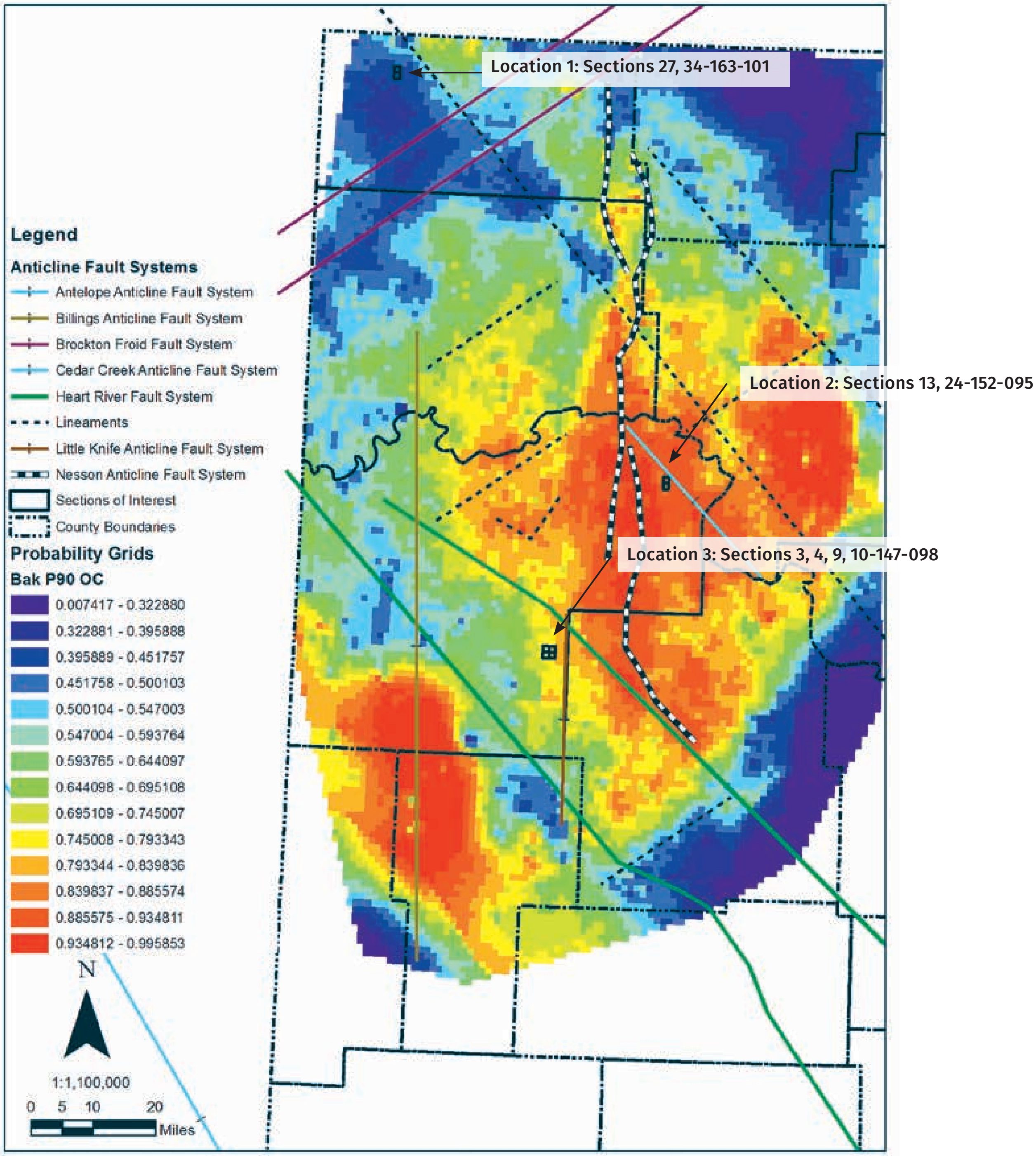
Map 2. Bakken P10 Production Oil Cut map



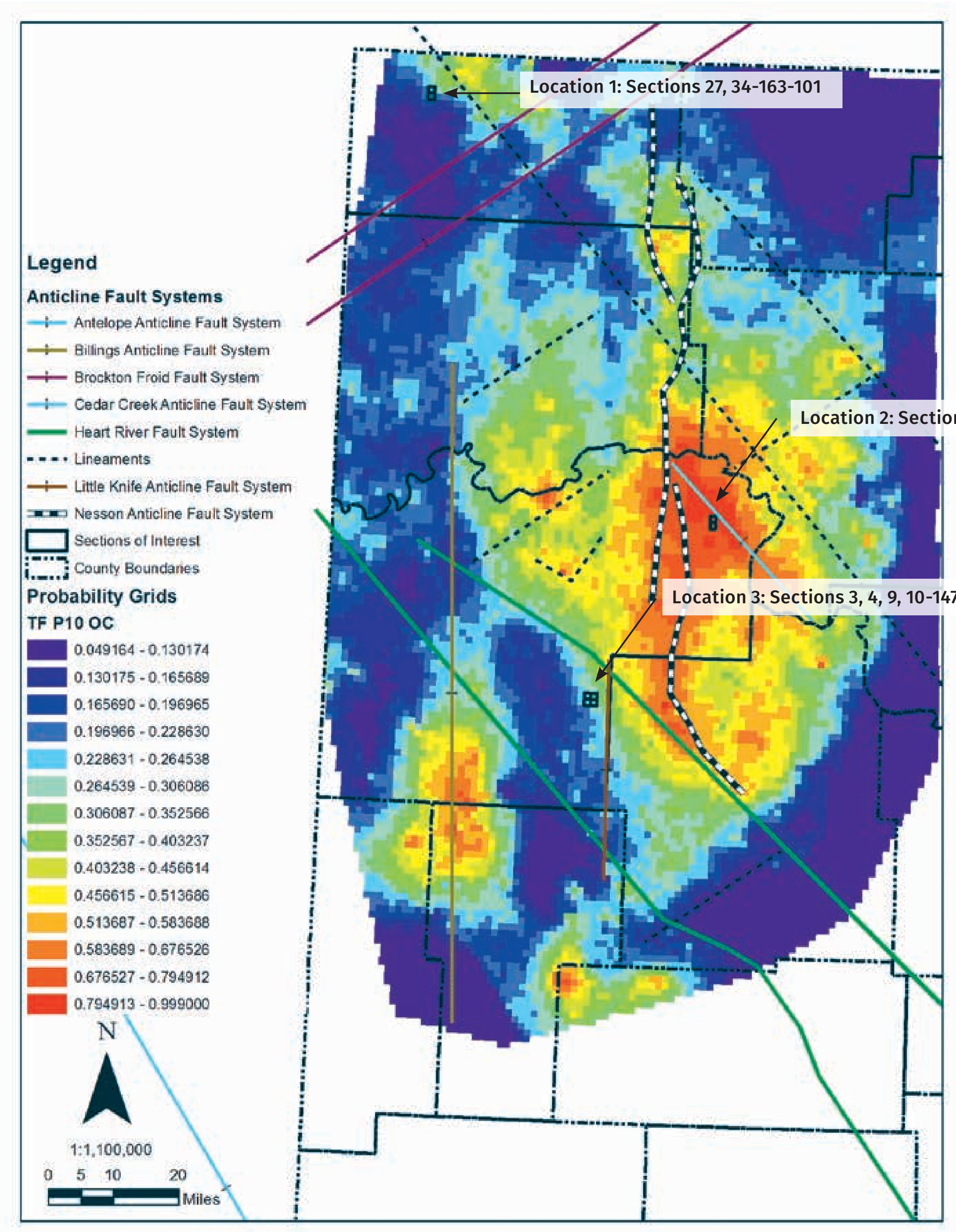
Map 3. Bakken P50 Production Oil Cut map



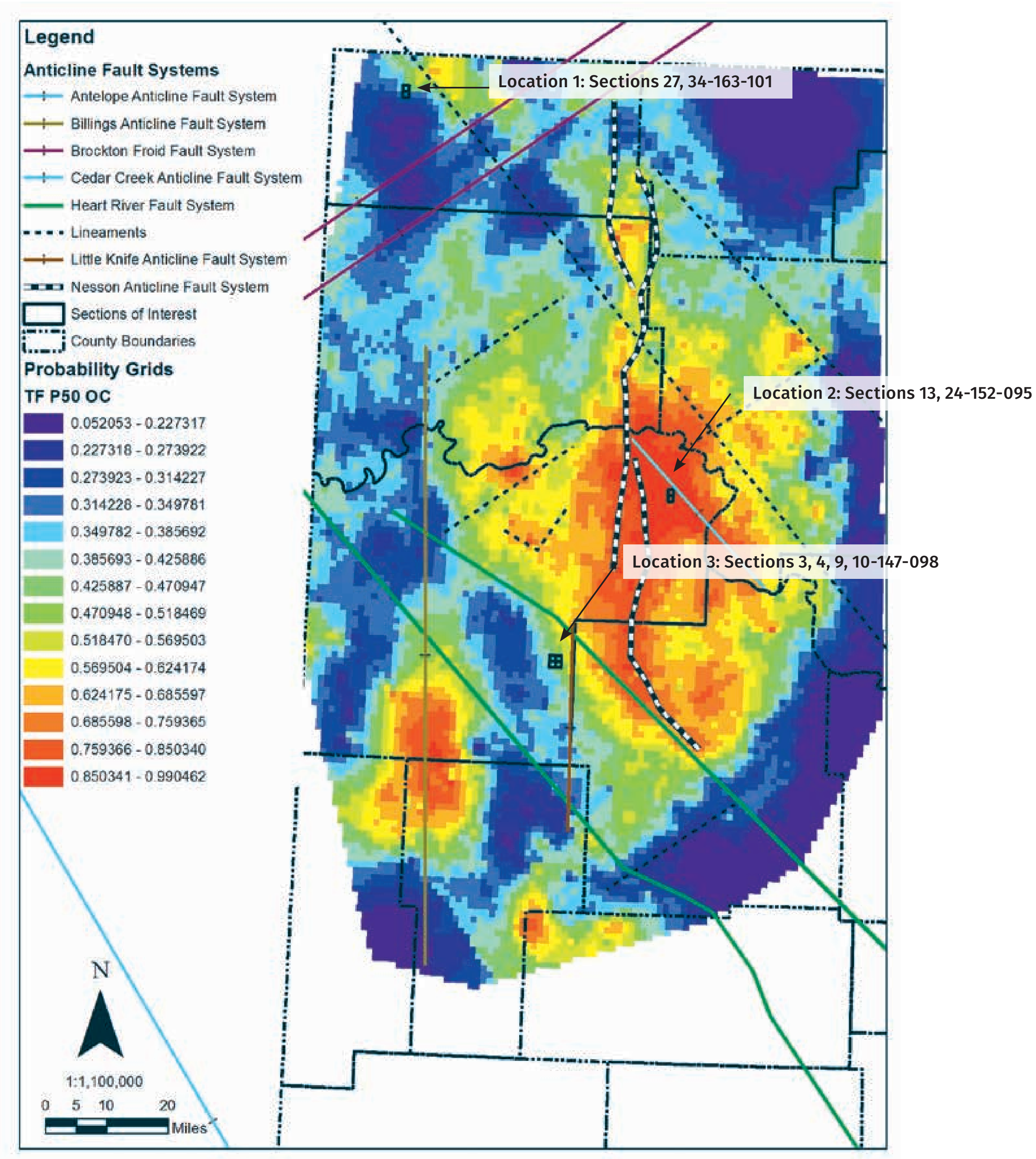
Map 4. Bakken P90 Production Oil Cut map



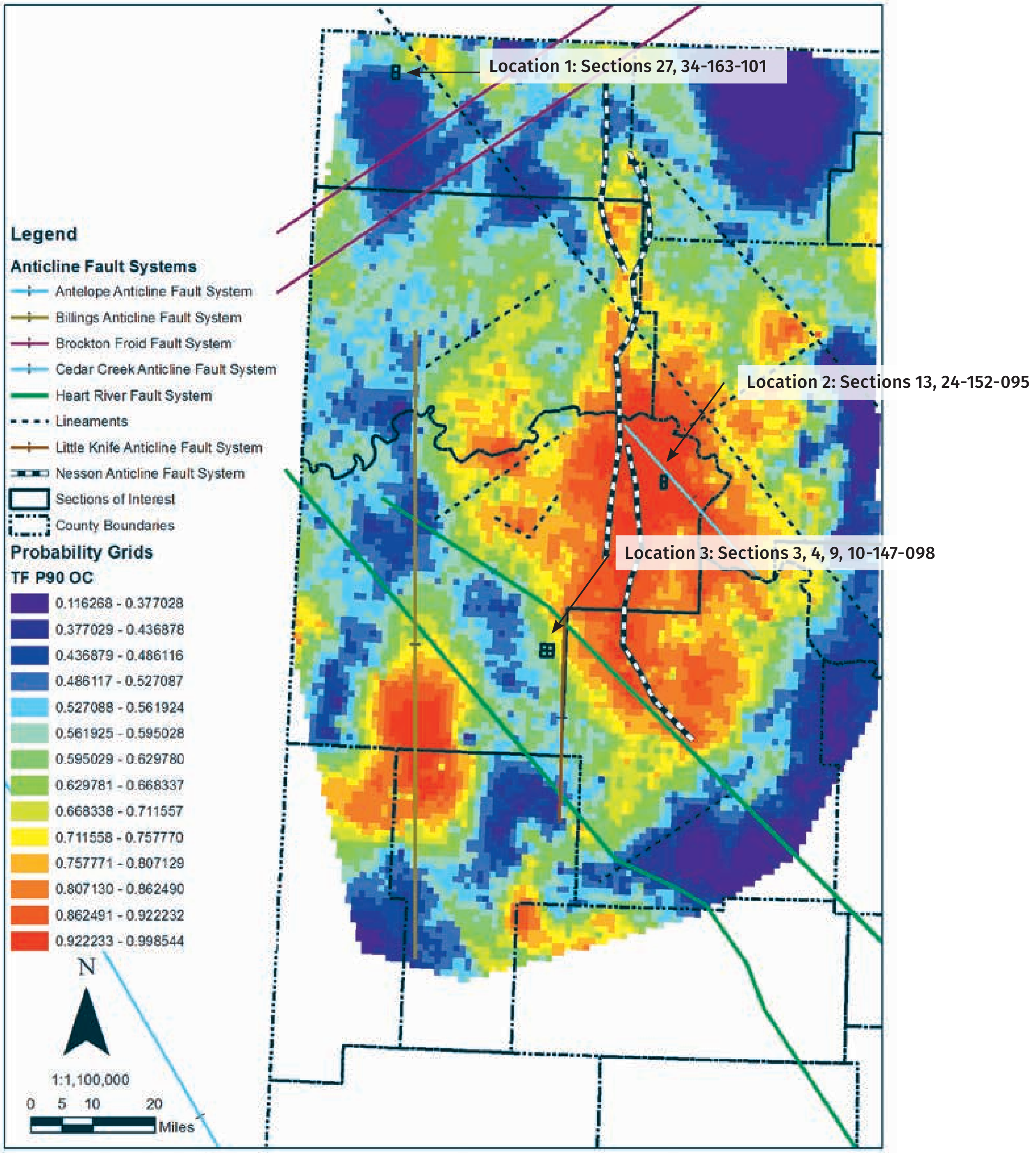
Map 5. Three Forks and Sanish P10 Oil Cut map



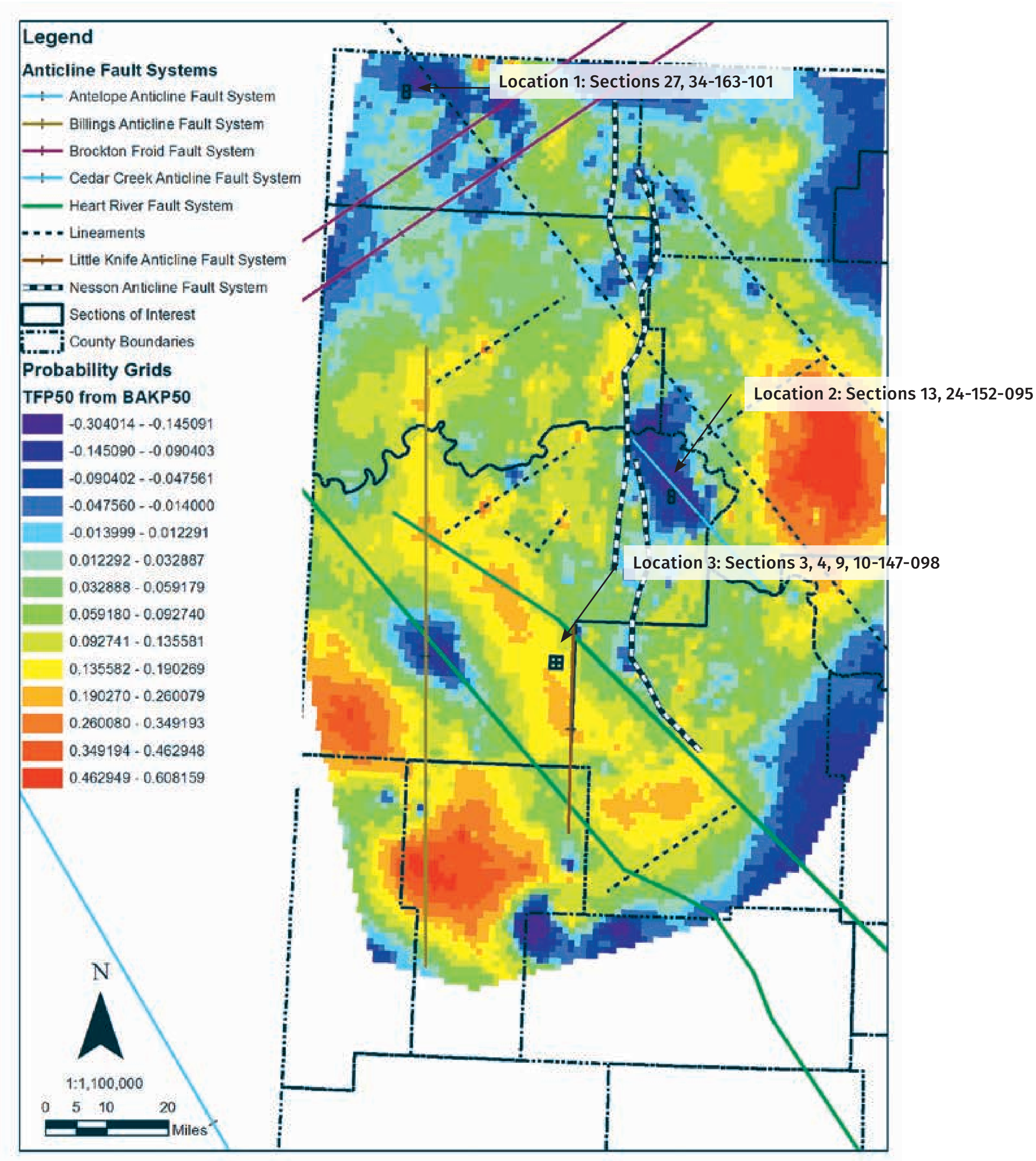
Map 6. Three Forks and Sanish P50 Oil Cut map



Map 7. Three Forks and Sanish P90 Oil Cut map



Map 8. Map produced by subtracting Three Forks P50 Oil Cut from Bakken P50 Oil Cut



Statement of Risk

The accuracy of resource, reserve, and economic evaluation is always subject to uncertainty. The magnitude of this uncertainty is generally proportional to the quantity and quality of data available for analysis, which may either increase or decrease the previous estimates. NCS have prepared this Report utilizing generally accepted petroleum engineering and geological evaluation principles.

Neither NCS nor any of its employees have any interest in the properties subject to this Report, and neither the employment to do this work, nor the compensation, is contingent on the outcome of the report.

This report was prepared for the exclusive use of Shale Energy Limited by NCS and is not to be transferred to any other parties without SEL's written permission.

NCS confirms that:

a. All reasonable enquiries have been made so that there are reasonable grounds to believe that this report dated 17th November 2014 does not contain any misleading or deceptive statement or omit any material information.

Qualification of Expert

Neset Consulting Service originated in 1980 when Roy and Kathleen Neset incorporated their oilfield talents to start Neset Enterprises as an oilfield consulting business providing drilling, production, and geology services to the oil industry. Neset Consulting employs over 20 professionals providing a broad range of oil field capabilities spanning seismology, geology, and engineering. The production of this report has been supervised by Kathleen Neset and has utilized a team compromising of specialists in all these fields.

In 1978 Kathleen Neset graduated with a BA in Geology from Brown University and has over 35 years' experience in oil and gas field geology. Kathleen is a member of the American Association of Petroleum Geologist, Williston American Petroleum Institute (API), Dickinson API, North Dakota Petroleum Council Board of Directors, Bush Foundation, Bismarck State College Petroleum Technology Advisory Committee, University of North Dakota Petroleum Engineering Advisory Committee. In 2012 Governor Jack Dalrymple appointed Kathleen to the North Dakota State Board of Higher Education.

Kind regards,

Kathleen Neset

11: Independent Report on SEL's Leasehold Interests

ROSE ROCK TITLE, P.L.C.
10736 S. 69th East Ave.
Tulsa, OK 74133

17 November 2014

The Directors
Shale Energy Limited
Suite 1008, 37 Bligh Street
Sydney NSW 2000

Re: Lease/Well Report

Consent

Shale Energy Limited (SEL) has requested Rose Rock Title PLC to provide a Title Report and summary of our findings as it relates to the leasehold interests owned by Sustainable Australasia USA. This report has been completed for inclusion in a prospectus to be issued by SEL dated on or around 17th November 2014. Rose Rock Title has provided its permission for inclusion of this Report and has not withdrawn that permission.

Introduction

I have been asked to provide a summary of our findings as it relates to the leasehold interests owned by Sustainable Australasia USA, LLC in the following areas:

Yauch 03-04-1H Well – McKenzie County, North Dakota
Hawkeye 3-2413H Well – McKenzie County, North Dakota
Dorothy 3-27HST Well – Divide County, North Dakota
Horovitz 10-09-1H – McKenzie County, North Dakota

I have been involved in the oil and gas industry as a Petroleum Landman/Oil and Gas Title Attorney for the past eight years. I have performed due diligence in twelve states and I am a licensed attorney in North Dakota and Oklahoma specializing in mineral title research, working interest analysis, net revenue calculations and joint operating agreements. I will be paid my usual fees for the preparation of this report.

In my extensive research I reviewed the following records:

- McKenzie County and Divide County, North Dakota Recorder's Offices from the time of inception to November 2, 2014
- The Bureau of Land Management's Land & Mineral Legacy Rehost 2000 System (LR2000) online.
- The North Dakota Property Tax Information Portal website.
- North Dakota Industrial Commission, Department of Mineral Resources, Oil and Gas Division website.
- Title Status Reports provided by the Bureau of Indian Affairs.

After a thorough search and review of the public records available in McKenzie County and Divide County, North Dakota and the records listed above, the following is a summary of my findings.

My independent review found that Sustainable Australasia USA, LLC is the owner of a total of 99.87376 net acres with a 78.00% Net Revenue Interest (proportionately reduced) in and to the leases further discussed below.

Background to Mineral Rights Ownership and Leasing in North Dakota

At your request, I have prepared this summary of mineral ownership and oil and gas leasing in the United States of America (the “USA”), including a discussion of the types and characteristics of mineral ownership, commonly used oil and gas lease provisions, and agreements commonly used by industry partners pertaining to “on-shore” oil and gas exploration and development. I have also included some comments about, where applicable, confirmation of the practices.

In most producing states, mineral interests, including oil and gas interests, are interests in real property governed by state law relating to real property. In North Dakota, the owners of oil and gas in a tract of land own the oil and gas in place. The ownership of minerals and the incidents of such ownership are initially part of the fee simple ownership (“fee”) of a tract of land. There are several attributes attached to a severed (as severed from surface ownership) mineral estate including: the right to develop, including ingress and egress, the right to lease—the executive right, the right to receive bonus payments, the right to receive royalty payments, and the right to receive delay rentals.

In North Dakota, the mineral and royalty interests can be separated into two distinct separate estates by grant, reservation or exception. Texaro Oil Co. V. Mosser, 299 N.W. 2d 191 (N.D. 1980). The mineral estate is the “dominant estate” and the surface estate is the “subservient estate.” The rationale is that the mineral owner’s estate would be worthless without the right to reach the minerals. In North Dakota, the mineral owner has the right to use so much of the surface as is reasonably necessary to explore for and produce the oil, gas and other minerals from the land, without being obligated to pay damages to the surface owner. The mineral owner’s dominant right exists even if the mineral use interferes with the surface use. The mineral owner’s rights extend to an oil and gas lessee, subject to the terms of the lease and unless expressly excepted from the lease, the Lessee acquires all of the rights of the mineral owner in the leased tract. As long as the use is neither negligent nor excessive, courts have given mineral owners wide latitude to do things which affect the surface without consent of the surface owner and without being obligated to pay damages. Not only may existing roads be used, but new roads may be constructed at the sole discretion of the mineral owner at locations and in a manner chosen by the mineral owner. Where the minerals have been severed, absent an express agreement to the contrary, neither the mineral owner nor the surface owner has exclusive rights to the surface. The mineral owner must share access with the surface owner and other mineral owners, including undivided interest owners in the same formation and owners of other formations. The right of ingress and egress attached to the mineral estate is normally owned by the same party who owns the “executive rights” which gives one the power to execute oil and gas leases. The executive right can be severed from the mineral estate and is in and of itself a property right.

Onshore oil, gas and mineral rights reserved by the United States are administered and leased by the Bureau of Land Management (BLM), United States Department of Interior, on behalf of the United States government. Oil, gas and other minerals underlying lands granted by the U.S. government to Native Americans are administered and leased by the applicable Tribal authority or the United States Bureau of Indian Affairs. Mineral rights in lands granted to each of the individual states by the federal government are leased by the state agency that administers said lands. Each of the aforementioned authorities has adopted their own oil and gas lease forms and assignment forms, and has promulgated rules and regulations pertaining to the exploration for, and development of, oil and gas underneath their respective lands.

Numerous provisions that govern oil and gas leasing can be found in the Mineral Leasing Act and in BLM’s oil and gas leasing regulations. A user-friendly description of the leasing process can be found on the BLM website. Information on particular lease sales can be found on BLM state office web pages. As mentioned, there are two means by which BLM can offer onshore oil and gas leases. Leases must first be made available for sale at a competitive oil and gas auction, which are held at least quarterly. If no legally sufficient bids are received at the competitive sale, BLM can then make the leases available on a noncompetitive basis. . Royalties on production must be paid at a rate of 12.5% of the value of production removed. Royalties and other monies received are paid to the United States Department of the Treasury, with fifty percent of that returned to the state where the oil or gas was produced. In addition to rent and royalties, bonding is required prior to conducting surface disturbing activities to ensure compliance with lease terms and reclamation and restoration of impacted lands. Bonding must be in an amount not less than $10,000 per lease or, in lieu of that, statewide bonds of $25,000 or nationwide bonds of $150,000 can be posted.

Generally, BLM will issue a lease to a successful bidder after it receives the bid form and all monies due. A lease is effective the first day of the month following the month in which BLM signs the lease, although there are provisions allowing for the lease to be effective sooner. However, the public can protest the sale of leases. If this is done—and BLM often receives protests of lease parcels offered for sale at auction—the lease will not be issued until the protest is resolved, which often takes several months. If the protest is rejected, BLM can issue the lease. If a protest is upheld, the lease parcel will be withdrawn and fees, rentals, and bonus bids will be returned to the bidder. However, a BLM decision to reject a protest is subject to appeal to the Interior Board of Land Appeals (IBLA).

Determining the mineral ownership for privately owned land, commonly referred to as "fee lands" (minerals owned by individuals, corporations, trusts) can be a lengthy process and utilizes records maintained by the County Clerk and Recorder for the County in which the subject property lies. In many areas, there can several hundred mineral owners underlying one particular tract of land. In order to protect owners from drainage (loss of finite resources from adjacent lands) the solution was to identify the mineral owners within the "spacing unit" that was being pumped by the well and then divide the royalty interest among the mineral owners based on the understanding of the underlying geology and the mineral owners' mineral interests. The spacing unit generally is not addressed in the mineral lease; instead, the spacing unit is specified by the government agency with regulatory oversight (the Industrial Commission in North Dakota). Based on current horizontal drilling technology, the spacing unit in North Dakota is generally 1,280 acres; that is, an area 1 mile by 2 miles. All mineral owners in the spacing unit share in all oil production from that area, regardless of where the well and horizontal bore are located in the unit. As additional wells and horizontal bores are drilled in the future, all mineral owners will continue to share in all production.

Because fee mineral owners generally do not have the capital to drill and produce their own hydrocarbons they will grant an oil and gas lease to a Lessee. The lease is a written instrument giving the Lessee the exclusive right to go upon the land and explore and prospect for oil and gas, and thereafter remove them. The lease is usually for a stipulated term and as long thereafter as oil and/or gas is found in paying quantities. The consideration for the granting of the lease is usually a cash bonus together with a stipulated royalty, the latter being an interest in all of the oil and gas that is produced. Lessees are granted the option and right to transfer or "assign" all or a portion of their interest they own in an oil and gas lease to other entities. The instrument by which the Lessee assigns its interest is called an Assignment. The Lessee will be referred to as the "Assignor" and the party acquiring an interest in the oil and gas lease is commonly referred to as the "Assignee". The Assignee generally has the same rights and obligations of the Assignor in connection with the ownership of the lease.

The North Dakota Industrial Commission is authorized to oversee the development of minerals and takes an active role in overseeing spacing units and pooling arrangements. Obtaining North Dakota Industrial Commission (NDIC) approval to develop a well requires the operator to provide a written invitation to participate in the risk and cost of a well to all working interest owners. If the party receiving the invitation to participate is not subject to a lease or other contract for development, the operator seeking such recovery action must make a good-faith attempt to lease said party. The written invitation to participate must include the well site location, depth and objective zone, along with estimated cost, projected commencement date, date the invitation must be accepted and a notice to the invited party about the plan to impose any risk penalty. The invited party may convey its opposition to the proposed risk notice directly to the operator, or pursue its opposition with the NDIC through a hearing.

Under North Dakota Criminal Code (NDCC) 38-08-08 working interest owners ("lessees") can be assessed a 200% penalty out of the proceeds from production of the pooled spacing unit (well) if they choose not to participate in the cost and risk of drilling and completion of a well. However, mineral owners who choose not to lease are provided a cost free royalty equal to the weighted average royalty in the spacing unit agreed to by all those who leased their minerals. The remaining interest of mineral interest owners who choose not to lease is a working interest in the well and can be assessed a 50% penalty out of proceeds from production of the pooled spacing unit if they choose not to participate in the cost and risk of drilling and completion. In either case the paying owner(s) must make an unsuccessful good-faith attempt to lease the minerals or get the working interest to participate. They must also provide proper notice of intent to impose the risk penalty and inform the non-participating parties that they can oppose the penalty.

Through many years of oil and gas production history, the Industrial Commission has developed engineering and geology principles and standard drilling unit provisions for various types of wells. These can be found in the North Dakota Administrative Code 43-02-03-18. Current drilling practices frequently require drilling units that do not comply with the standard provisions so public notice, a hearing, and a commission order are required. After a discovery well is drilled, a hearing is scheduled to review the ownership, geology, engineering and economics of the well and pool. First, temporary spacing for field development is set and then approximately 18 months later proper spacing for wells in the new field and pool are set by an Industrial Commission order. This is a public hearing and notice is given so that all interested parties can have input on the spacing order issued by the Commission. Spacing is designed to prevent waste, prevent the drilling of unnecessary wells and protect correlative rights.

Issuance of the first royalty payments can vary greatly from as little as two months from date of first sales to many months. First, the spacing unit needs to be determined and if the well is not already spaced, a hearing may be required, which can take several months. The operator must also determine the identity of all mineral, royalty and other interest owners in the well and determine each party's proper ownership interest in the well. In order to do so, a title opinion may need to be completed. Depending upon the size of the spacing unit and overall complexity of the title, this process alone can take several additional months. Furthermore, if all leases do not contain voluntary pooling language, a pooling hearing must be held and a pooling order issued by the Industrial Commission.

Report on Sustainable Australasia USA LLC's Leases

Yauch 03-04-1H Well Acreage

The acreage discussed below is included within the Yauch 03-04-1H Well Spacing located in McKenzie County, North Dakota. Sustainable Australasia USA, LLC is the owner of a 5.29% working interest in and to a portion of a certain oil and gas lease between the United States of America, Bureau of Land Management and John P. Hollman (NDM-93973) which includes a 12.5% landowner royalty. The United States of America, BLM owns a 100.00% mineral interest in the tracts assigned to Sustainable Australasia USA, LLC. Said lease is effective November 1, 2004 and is currently Held by Production by the Yauch 03-04-1H Well which is associated with these lands. The aforementioned ownership is limited to that portion of the lease that covers Township 147 North, Range 98 West of the 5th P.M., Section 3 – Lots 1, 2, 3, 4 and Section 4 - Lots 1, 2, 3, S½NE¼, SE¼NW¼, NE¼SW¼, N½SE¼. With this interest, Sustainable Australasia USA, LLC owns a 25.00 net acres interest with a 78% Net Revenue Interest (proportionately reduced) in and to the lease as it pertains to the lands aforementioned.

Hawkeye 3-2413H Well Acreage

The acreage included within the Hawkeye 3-2413H Well Spacing is located in McKenzie County, North Dakota. Sustainable Australasia USA, LLC is the owner of a 16.8282241% working interest in and to a portion of that certain oil and gas lease between Minnie Bears Ghost (allottee No. 420), owner of allotment of Sioux Chief Woman, deceased (allottee no. 416-A) of the Fort Berthold Reservation and Stanolind Oil and Gas Company which includes a 12.5% landowner royalty. Said lease is dated November 26, 1951 and recorded in the McKenzie County, North Dakota Recorder's Office at Book 63M, Page 489. This lease is currently Held by Production resulting from wells included in the Antelope Madison Unit and the Hawkeye 3-2413H Well. The aforementioned ownership is limited to that portion of the lease that covers Township 152 North, Range 95 West of the 5th P.M., Section 13 – Lot 5, Lot 6 and the NE¼ and is further limited to depths below the base of the Madison formation as found in the Antelope Madison Unit. The Madison formation lies above the Bakken and Three Forks formations and therefore this depth limitation has no effect on the legal right to explore, develop and produce from the Bakken and Three Forks formations. Depth severances of this type are common within the oil and gas industry. With this interest, Sustainable Australasia USA, LLC owns a 34.5232 net acres interest with a 78% Net Revenue Interest (proportionately reduced) in and to the portions of the lease mentioned above. The interest received by Sustainable Australasia, LLC is subject to a prior Term Assignment which is for a "…term of eighteen (18) months from the Effective Date (November 1, 2012)…and for so long thereafter as oil and/or gas are produced in paying quantities from the Assigned Premises or from lands or depths validly pooled therewith or for so long as this Assignment is otherwise maintained in effect pursuant to the provisions hereof." The Term Assignment also provides that "If, on the expiration of the Primary Term, Assignee is then engaged in the drilling of a well on the Assigned Premises or on lands pooled therewith, or if Assignee has within less than ninety (90) days prior to the expiration of the Primary Term completed or abandoned a well on the Assigned Premises or on lands pooled therewith, this Assignment shall not terminate as to lands or depths lying outside of any Unit so long as Assignee continues to diligently drill wells on the Assigned Premises or on lands pooled therewith with no lapse of more than one hundred eighty (180) days between the completion or abandonment of a well and the commencement of an additional well."

Dorothy 3-27HST Well Acreage

TORGESON OIL AND GAS LEASE

The acreage discussed below is included within the Dorothy 3-27HST Well Spacing located in Divide County, North Dakota. Sustainable Australasia USA, LLC is the owner of a 14.36192% working interest in and to a portion of the oil and gas lease between Ronald M. Torgeson and Wasaabee Energy Inc. which includes an 18% landowner royalty. Ronald M. Torgeson owns a 25.00% mineral interest in the tracts assigned to Sustainable Australasia USA, LLC. Said lease is dated May 10, 2011 and recorded in the Divide County, North Dakota Recorder's Office at document #258070. This lease is currently Held by Production by the Dorothy 3-27HST Well which is associated with these lands. The aforementioned ownership is limited to that portion of the lease that covers Township 163 North, Range 101 West of the 5th P.M., Section 27 - SW¼, less tract of land deeded to the USA, except 2.13 acres used for highway, and 2.79 acres deeded to the Minneapolis, St. Paul, Sault Ste. Marie Railway Company in Doc recorded in Book 5, Pages 335 and 336 and Section 34 - SE¼, less 2.25 acres deeded to the Church of St. Bernard in document recorded in Book 26 Page 156 and less 3.37 acres deeded to the Village of Fortuna in document recorded in Book 23, Page 32. With this interest, Sustainable Australasia USA, LLC owns an 11.1111 net acres interest with a 78% Net Revenue Interest (proportionately reduced) in and to the lease as it pertains to the lands aforementioned.

MCCULLISS OIL AND GAS LEASE

The acreage discussed below is included within the Dorothy 3-27HST Well Spacing located in Divide County, North Dakota. Sustainable Australasia USA, LLC is the owner of a 22.92701% working interest in portions of the SW¼ of Section 27 and a 23.03096% working interest in portions of the SE¼ of Section 34 as it relates to the oil and gas lease between Paul L. McCulliss a/k/a Paul L. McCullis and Kelly Oil & Gas, LLC which includes a 19% landowner royalty. Paul L. McCulliss owns a 12.50% mineral interest in the tracts assigned. Said lease is dated August 30, 2013 and recorded in the Divide County, North Dakota Recorder's Office at document #273614. This lease is currently Held by Production by the Dorothy 3-27HST Well which is associated with these lands.

The aforementioned ownership is limited to that portion of the lease that covers Township 163 North, Range 101 West of the 5th P.M., Section 27: SW¼, less tract of land deeded to the USA, except 2.13 acres used for highway, and 2.79 acres deeded to the Minneapolis, St. Paul, Sault Ste. Marie Railway Company in Doc recorded in Book 5, Pages 335 and 336 and Section 34: SE¼, less 2.25 acres deeded to the Church of St. Bernard in document recorded in Book 26 Page 156 and less 3.37 acres deeded to the Village of Fortuna in document recorded in Book 23, Page 32. With this interest, Sustainable Australasia USA, LLC owns an 8.8888 net acres interest with a 78% Net Revenue Interest (proportionately reduced) in and to the lease under review.

Prior to the execution of this lease, there was an oil and gas lease executed between Paul L. McCulliss and Wasaabee Energy, Inc. dated December 12, 2011 and recorded at document #254550 with a three year primary term covering this same interest which has not yet been released. Out of an abundance of caution there should be filed of record a Release of Oil and Gas Lease for the aforementioned lease.

Horovitz 10-09-1H Well Acreage

The acreage discussed below is included within the Horovitz 10-09-1H Well Spacing located in McKenzie County, North Dakota. Sustainable Australasia USA, LLC is the owner of a 1.8778% working interest in portions of three unrecorded Oil and Gas leases between the United States of America, Bureau of Land Management and John P. Hollman (NDM-93973, 93975, 94081). The NDM 93973 lease is effective November 1, 2004 with an expiration of October 31, 2014. The NDM 93975 lease is effective November 1, 2004 with an expiration of October 31, 2014. The NDM 94081 lease is effective February 1, 2005 with an expiration of January 31, 2015. The United States of America, BLM owns a 100.00% mineral interest in the tracts being reviewed. These leases are currently Held by Production by the Horovitz 10-09-1H Well which is associated with these lands. The leasehold ownership acquired by Sustainable Australasia USA, LLC is limited to that portion of NDM 93973 that covers Township 147 North, Range 98 West of the 5th P.M Section 10 – Lots 1, NE¼, S½, SE¼NW¼, that portion of NDM 93975 that covers Township 147 North, Range 98 West of the 5th P.M Section 10 - Lot 2, SW¼NW¼, and that portion of NDM 94081 that covers Township 147 North, Range 98 West of the 5th P.M Section 9 - Bed of the Missouri River riparian to Lots 4, 5, 6, and Lots 4, 5, 6, S½. With this interest, Sustainable Australasia USA, LLC owns an 10.49131 net acres interest in Township 147 North, Range 98 West of the 5th P.M Section 10 – Lots 1, NE¼, S½, SE¼NW¼, 1.457178 net acres in Township 147 North, Range 98 West of the 5th P.M Section 10 - Lot 2, SW¼NW¼, and 8.402172 net acres in Township 147 North, Range 98 West of the 5th P.M Section 9 - Bed of the Missouri River riparian to Lots 4, 5, 6, and Lots 4, 5, 6, S½ with a 78% Net Revenue Interest (proportionately reduced) in and to the leases under review.

The recent assignment into Sustainable Australasia USA, LLC is unrecorded and has not yet been approved by the Bureau of Land Management. The assignment therefore needs to be filed of record in McKenzie County and filed with the Bureau of Land Management. Being a very recent Assignment, I do not see any reason why this assignment will not be filed of record and with the Bureau of Land Management in due course.

Summary Table and Comments

After a thorough review of the public records I am of the opinion that Sustainable Australasia USA LLC has title to the following leasehold and net revenue interests.

Well Name **Lands Included** **Country/State/County**	**Acreage owned by Sustainable Australasia USA, LLC**	**Percentage** **Working Interest owned by Sustainable Australasia USA, LLC** **Net Revenue Interest** **owned by Sustainable Australasia USA, LLC**	**Lessor** **Date of Lease** **Expiration Date/Status** **Recording Information**
Yauch 03-04-1H T147N-R98W Section 3 – Lots 1, 2, 3, 4 and Section 4 - Lots 1, 2, 3, S½NE¼, SE¼NW¼, NE¼SW¼, N½SE¼. USA, North Dakota, McKenzie County	25 net acres	5.29% Working Interest 78.00% NRI	United States of America, Bureau of Land Management November 1, 2004 Currently Held by Production Unrecorded (NDM-93973)
Hawkeye 3-2413H T152N-R95W Section 13 – Lot 5, Lot 6 and the NE¼ limited to depths below the base of the Madison formation as found in the Antelope Madison Unit USA, North Dakota, McKenzie County	34.5232 net acres	16.8282241% Working Interest 78.00% NRI	Minnie Bears Ghost (allottee No. 420), owner of allotment of Sioux Chief Woman, deceased (allottee no. 416-A) of the Fort Berthold Reservation November 26, 1951 Currently Held by Production Book 63M, Page 489
Dorothy 3-27HST 163N-101W Section 27 - SW¼, less tract of land deeded to the USA, except 2.13 acres used for highway, and 2.79 acres deeded to the Minneapolis, St. Paul, Sault Ste. Marie Railway Company in Doc recorded in Book 5, Pages 335 and 336 and Section 34 - SE¼, less 2.25 acres deeded to the Church of St. Bernard in document recorded in Book 26 Page 156 and less 3.37 acres deeded to the Village of Fortuna in document recorded in Book 23, Page 32 USA, North Dakota, Divide County	11.1111 net acres	14.36192% Working Interest 78.00% NRI	Ronald M. Torgeson May 10, 2011 Currently Held by Production Document #258070

Summary Table and Comments *cont...*

Well Name **Lands Included** **Country/State/County**	**Acreage owned by Sustainable Australasia USA, LLC**	**Percentage** **Working Interest owned by Sustainable Australasia USA, LLC** **Net Revenue Interest** **owned by Sustainable Australasia USA, LLC**	**Lessor** **Date of Lease** **Expiration Date/Status** **Recording Information**
Dorothy 3-27HST 163N-101W Section 27 - SW¼, less tract of land deeded to the USA, except 2.13 acres used for highway, and 2.79 acres deeded to the Minneapolis, St. Paul, Sault Ste. Marie Railway Company in Doc recorded in Book 5, Pages 335 and 336 and Section 34 - SE¼, less 2.25 acres deeded to the Church of St. Bernard in document recorded in Book 26 Page 156 and less 3.37 acres deeded to the Village of Fortuna in document recorded in Book 23, Page 32 USA, North Dakota, Divide County	8.8888 net acres	22.92701% Working Interest in Section 27 lands 23.03096% Working Interest in Section 34 lands 78.00% NRI	Paul L. McCulliss August 30, 2013 Currently Held by Production Document #273614
Horovitz 10-09-1H T147N-R98W Section 10 – Lots 1, NE¼, S½, SE¼NW¼, USA, North Dakota, McKenzie County	10.49131 net acres	1.8778% Working Interest 78.00% NRI	United States of America, Bureau of Land Management November 1, 2004 Currently Held by Production Unrecorded (NDM-93973)
Horovitz 10-09-1H T147N-R98W Section 10 - Lot 2, SW¼NW¼ USA, North Dakota, McKenzie County	1.457178 net acres	1.8778% Working Interest 78.00% NRI	United States of America, Bureau of Land Management November 1, 2004 Currently Held by Production Unrecorded (NDM-93975)
Horovitz 10-09-1H T147N-R98W Section 9 - Bed of the Missouri River riparian to Lots 4, 5, 6, and Lots 4, 5, 6, S½. USA, North Dakota, McKenzie County	8.402172 net acres	1.8778% Working Interest 78.00% NRI	United States of America, Bureau of Land Management February 1, 2005 Currently Held by Production Unrecorded (NDM-94081)
TOTAL ACREAGE	**99.87376**		

Unit Summary for Sustainable Australasia USA, LLC Interests:

Unit	Sustainable's Acreage/ Unit Total Acreage	Sustainable's Working Interest in Unit	Sustainable's Net Revenue Interest in Unit
Yauch 03-04-1H T147N-R98W Sections 3 and 4 USA, North Dakota, McKenzie County	25 net acres / 1280 gross acres	1.953125% Working Interest	1.523438% Net Revenue Interest
Hawkeye 3-2413H T152N-R95W Sections 13 and 24 USA, North Dakota, McKenzie County	34.5232 net acres / 1150.72 gross acres	3.000139% Working Interest	2.340108% Net Revenue Interest
Dorothy 3-27HST 163N-101W Sections 27 and 34 USA, North Dakota, Divide County	19.9999 net acres / 1280 gross acres	1.562492% Working Interest	1.218744% Net Revenue Interest
Horovitz 10-09-1H T147N-R98W Section 10 – Lots 1, NE¼, S½, SE¼NW¼, USA, North Dakota, McKenzie County	20.35066 net acres / 1280 gross acres	1.589895% Working Interest	1.240118% Net Revenue Interest

Disclosure

I hereby disclose that I have no financial interest in any oil, gas, or mineral leases subject to this report, and neither the employment to do this work, nor the compensation therfore, is contingent on the outcome of this report.

Sincerely yours,

Jay R. Bills,
ROSE ROCK TITLE, P.L.C.
A Professional Corporation

12: Risk Factors

An investment in SEL will be subject to a number of key risks specific to its business operations and the industry in which it operates. These risks have the potential to affect SEL and the value of investments in SEL. A summary of the key business and industry risks is provided in Section 12.1.

An investment in SEL will also be subject to general risks. These general risks relate to various economic and market related factors and are common to all investments in shares. A summary of the key general risks is provided at Section 12.2.

The future performance of SEL and the future investment performance of the Shares may be influenced by these business and industry and general risks. Investors should be aware that the occurrence or consequences of some of these risks may be partially or completely outside of the control of SEL and its Directors.

This section does not purport to list every risk that SEL may have exposure to now or in the future and should be considered in conjunction with other information disclosed in this Prospectus. Additional risks and uncertainties of which SEL is unaware, or that it currently does not consider to be material, may also become important factors that may have an adverse effect on SEL. Investors should satisfy themselves that they have a sufficient understanding of the risks contained in this section and give due regard to their own investment objectives and financial circumstances. Investors should read this Prospectus in its entirety and should seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding whether to apply/for New Shares.

12.1 Risks Specific to an Investment in the Company

Investors should be aware of the key risks specific to an investment in SEL as detailed below:

Oil and gas prices

A substantial or extended decline in crude oil or natural gas prices could have a material and adverse effect on SEL. SEL's revenue from its oil and gas lease interests depend to a significant extent on the prevailing prices for crude oil and natural gas obtained by EOG, SM Energy and Sinclair (**Operators**).

Crude oil and natural gas prices have been volatile and this volatility is expected to continue. This reflects the many uncertainties that can or could cause these price fluctuations including:

- the level of consumer demand;
- worldwide supplies of crude oil and natural gas;
- the price and quantity of worldwide imported and exported crude oil and natural gas;
- weather conditions and changes in weather patterns;
- regional and US drilling activity;
- the availability, proximity and capacity of transportation facilities, gathering, processing and compression facilities and refining facilities;
- worldwide economic and political conditions, including political instability or armed conflict in oil and gas producing regions;
- the price and availability of, and demand for, competing energy sources, including alternative energy sources;
- the nature and extent of governmental regulation (including environmental regulation and regulation of derivatives transactions and hedging activities) and taxation;
- the level and effect of trading in commodity futures markets, including trading by commodity price speculators and others; and
- the effect of worldwide energy conservation measures.

Currency Fluctuations

The reporting currency for SEL's financial statements is the Australian dollar. However, its wholly owned subsidiary, SAU LLC, is located in the United States and has a US dollar functional currency. Currently 100% of SEL's net operating revenues relate to SAU LLC. The assets, liabilities, revenues and expenses of SAU LLC are denominated in US dollars. To prepare consolidated financial statements, SEL must translate those assets, liabilities, revenues and expenses into Australian dollars at then applicable exchange rates. Consequently, increases and decreases in the value of the Australian dollar versus the US dollar will affect the amount of these items in SEL's financial statements, even if the amount has not changed in the original currency. These translations could result in changes to SEL's results of operations from period to period.

Additional Requirements for Capital

The Company believes that on completion of the Initial Public Offer it will have sufficient working capital to carry out the objectives in this Prospectus. The funding of any further ongoing capital requirements beyond the requirements as set out in this Prospectus will depend upon a number of factors including the extent of the Company's ability to generate income from activities which the Company cannot forecast with any certainty.

Any additional equity financing will be dilutive to Shareholders, and any additional debt financing (beyond the existing US$2 million facility with BancFirst), if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may not be able to take advantage of opportunities or develop projects. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

Drilling Risk

SEL's investment (via SAU LLC) in the drilling of crude oil and natural gas wells by EOG at the Hawkeye Lease, SM Energy at the Dorothy Lease and Sinclair at the Yauch and Horovitz Leases involve numerous risks, including the risk that EOG or SM Energy or Sinclair may not encounter commercially productive crude oil and natural gas reserves (including "dry holes"). Consequently, SEL is subject to the risk of lack of recoverability of all or any portion of its capital expenditure investment in each new well.

Specifically, SEL cannot be completely certain as to the future cost or timing of EOG's drilling, and completion of the 27 new wells which have been approved at the Hawkeye Lease.

In addition, the drilling operations of the Operators may be curtailed, delayed or cancelled, the cost of these operations may increase and/or production results at the relevant leases and net revenue from them may be impacted, as a result of a variety of factors, including:

- unexpected drilling conditions;
- title problems;
- pressure or irregularities in formations;
- equipment failures or accidents;
- adverse weather conditions, such as winter storms, flooding and hurricanes, and changes in weather patterns;
- compliance with, or changes in, environmental laws and regulations relating to air emissions, hydraulic fracturing and disposal of produced water, drilling fluids and other wastes, laws and regulations imposing conditions and restrictions on drilling and completion operations and other laws and regulations, such as tax laws and regulations (refer below for further discussion of this risk);
- the availability and timely issuance of required governmental permits and licenses;
- the availability of, costs associated with and terms of contractual arrangements for properties, including pipelines, rail cars, crude oil hauling trucks and qualified drivers and related facilities and equipment to gather, process, compress, transport and market crude oil, natural gas and related commodities; and
- the costs of, or shortages or delays in the availability of, drilling rigs, hydraulic fracturing services, pressure pumping equipment and supplies, tubular materials, water, sand, disposal facilities, qualified personnel and other necessary equipment, materials, supplies and services.

SEL's failure to recover its investment in the wells on the Leases, increases in the costs of any of the Operators' drilling operations at the respective Leases, and/or curtailments, delays or cancellations of the Operators' drilling operations due to any of the above factors or other factors, may materially and adversely affect SEL's business, financial condition and results of operations.

Third Party Operators of the Leases

The Hawkeye Lease is operated by EOG, the Dorothy Lease is operated by SM Energy and the Yauch and Horovitz Leases are operated by Sinclair. As a result, SEL (via SAU LLC) has limited ability to influence or control the operation or future development of the Leases, including compliance with environmental and other regulations, or the amount of capital expenditures that SEL will be required to fund if it wishes to participate in each new well.

In addition, the extent to which EOG successfully and economically operates the oil and gas wells at the respective Leases is a risk for SEL. The Operators could decide to shut-in or curtail production from wells, or plug and abandon marginal wells during periods of lower oil or gas prices. These limitations and SEL's dependence on the Operators could cause SAU SEL to incur unexpected future costs, lower production and materially and adversely affect our financial condition and results of operations.

More specifically, the major risk factors pertaining to the Operators' operation of the respective Lease wells are:

- the extent to which the Operators continue to be successful in selling crude oil and gas production from the existing wells and the new wells as they come into production;
- the extent to which the Operators can optimise reserve recovery and economically develop the existing and new wells utilising horizontal drilling, advanced completion technologies and hydraulic fracturing;
- the extent to which the Operators are successful in its efforts to achieve anticipated production levels from the wells at the Leases in light of the risks and uncertainties and capital expenditure requirements inherent in operating crude oil and natural gas wells and the potential for interruptions of production, whether involuntary or intentional as a result of market or other conditions;
- the availability, cost, terms and timing of issuance or execution of North Dakota Industrial Commission and other governmental permits, easements and rights-of-way for the ongoing production from wells on the Leases;
- competition in the Bakken/Three Forks region for employees and other personnel, equipment, materials and services and, related thereto, the availability and cost of employees and other personnel, equipment, materials and services;
- the continued availability, proximity and capacity of, and reasonably low costs associated with the Operators' gathering, processing, compression and transportation facilities in the Bakken/Three Forks region;
- weather, including weather-related delays in the operation of production, gathering, processing, compression and transportation facilities; and
- government policies, laws and regulations (refer below for further discussion of this risk).

Availability of and competition for new oil and gas leases

The extent to which SEL (via SAU LLC) is successful in its efforts to acquire interests in other oil and gas leases in the United States which are akin to the Leases (namely up to approximately 40 net acres or <5% working interests in leases operated by established oil and gas industry participants) will reflect factors including the availability, cost, terms and timing of issuance or execution of, and competition for, interests in oil and gas leases.

There is significant competition in acquiring prospective oil and natural gas leases. SEL will be competing with major integrated oil and gas companies, government-affiliated oil and gas companies and other independent oil and gas companies for the acquisition of interests in such leases. Many of these competitors have financial and other resources substantially greater than those SEL possesses. As a consequence, SEL may be at a competitive disadvantage.

Acquisition Risk - New oil and gas leases

When SEL (via SAU LLC) seeks to acquire interests in oil and natural gas leases, it performs reviews of the leases in a manner that SEL considers to be duly diligent and consistent with industry practices. However, reviews of records, leases and properties may not necessarily reveal existing or potential problems, nor may they permit SEL to become sufficiently familiar with the properties in order to assess fully their deficiencies and potential. In addition, there are numerous uncertainties inherent in estimating quantities of crude oil and natural gas reserves (as discussed further below), actual future production rates and associated costs with respect to acquired properties. Actual reserves, production rates and costs may vary substantially from those assumed in estimates.

Production Decline Risk

The rate of production from crude oil and natural gas properties generally declines as reserves are produced. Except to the extent that the Operators conduct successful exploration and development activities at the Leases, or SEL acquires interests in additional properties containing reserves, SEL's reserves will decline over time as they are produced (over approximately 12-15 years for the Lease wells). Maintaining SEL's interest in production of crude oil and natural gas at, or increasing it from current levels, is therefore highly dependent upon SEL's level of success in acquiring new leases or the Operators finding additional reserves on the Leases, which could in turn impact SEL's future cash flows and results of operations.

Proved Oil and Gas Reserves Estimates Risk

SEL is utilising estimates of proved oil and gas reserves prepared by Neset Consulting Service, an independent geologist evaluating SEL's interests in the Leases (see Section 10 for the full report). These are prepared in accordance with ASX Listing Rule requirements. Proved reserves represent estimated quantities of crude oil and condensate and natural gas that geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under economic and operating conditions existing at the time the estimates were made.

The process of estimating quantities of proved oil and gas reserves is complex and inexact, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reservoir. Many variable factors are analysed, such as historical production from the area compared with production rates from other producing areas, available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also involves economic assumptions relating to commodity prices, production costs, severance and excise taxes, capital expenditures and remedial costs, many of which factors are or may be beyond Neset's control.

The data for a given reservoir may also change substantially over time as a result of numerous factors including, but not limited to, additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. Consequently, material revisions (upward or downward) to existing reserve estimates may occur from time to time which could lead to the reassessment of the viability of production at the Leases.

Government policies, laws and regulations

Foreign-based and owned companies. As SAU LLC is a wholly owned subsidiary of SEL, it may be adversely affected by United States laws and policies governing operations of foreign based companies.

Taxation. Legislation has been proposed that would, if enacted into law, make significant changes to United States tax laws, including the elimination of certain United States federal income tax incentives currently available to crude oil and natural gas exploration and production companies. These changes include, but are not limited to, the elimination of current deductions for intangible drilling and development costs. It is unclear whether such changes or similar changes will be enacted and, if enacted, how soon any such changes could become effective. The enactment of such changes or any other similar changes in United States federal income tax laws could materially and adversely affect SEL's revenue and cash flows from the Leases.

Oil and gas industry regulation. The Operators' crude oil and natural gas production operations at the Leases are subject to various types of regulation, including regulation in the United States by federal and state agencies. United States legislation affecting the oil and gas industry is under constant review for amendment or expansion. Proposals and proceedings that might affect the oil and gas industry are considered from time to time by Congress, the state legislatures, the Federal Energy Regulatory Commission (FERC) and federal and state regulatory commissions and courts. It cannot be predicted when or whether any such proposals or proceedings may become effective.

In addition, numerous departments and agencies, both federal and state, are authorised by statute to issue, and have issued, rules and regulations applicable to the oil and gas industry. A key regulatory authority for SAU LLC is the North Dakota Industrial Commission as it stipulates rules and regulations applying to the Leases including requirements for permits for the drilling of wells, regulating the location and spacing of wells, preventing the waste of natural gas through restrictions on flaring and regulating the calculation and disbursement of royalty payments, production taxes and ad valorem taxes.

It should also be noted that the oil and gas industry historically has been very heavily regulated.

The Operators own certain gathering and/or processing facilities in the Bakken/Three Forks and surrounding regions. State regulation of gathering and processing facilities generally includes various safety and environmental requirements. The Operators' gathering and processing operations could be materially and adversely affected should they be subject in the future to the application of state or federal regulation of rates and services.

Hydraulic Fracturing. Currently, the regulation of hydraulic fracturing is primarily conducted at the state and local level through permitting and other compliance requirements. However, there have been various proposals to regulate hydraulic fracturing at the federal level. For instance:

- the White House Council on Environmental Quality is coordinating a review of hydraulic fracturing practices, and a committee of the United States House of Representatives has conducted an investigation of hydraulic fracturing practices.
- a number of federal agencies have been requested to review various environmental issues associated with hydraulic fracturing. The EPA commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater and plans to issue a draft report of results in 2014 for public comment and independent peer review by the Science Advisory Board.
- Legislation has been introduced before Congress, including during the 113th Congress, to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic fracturing process.

Any new federal regulations that may be imposed on hydraulic fracturing could result in additional permitting and disclosure requirements and in additional operating restrictions.

In addition to these potential new federal regulations, some state and local governments have imposed or have considered imposing various conditions and restrictions on drilling and completion operations, including requirements regarding casing and cementing of wells; testing of nearby water wells; restrictions on access to, and usage of, water; and restrictions on the type of chemical additives that may be used in hydraulic fracturing operations. Such federal, state and local permitting and disclosure requirements and operating restrictions and conditions could lead to operational delays for the Operators and increased operating and compliance costs to the Operators (and SEL). Moreover, they could delay or effectively prevent the development of oil and gas from formations which would not be economically viable without the use of hydraulic fracturing.

The timing, scope and effect of any currently proposed or future laws or regulations regarding hydraulic fracturing in the United States cannot be predicted, but the direct and indirect costs of any such laws and regulations (such as a decrease in completion of new wells, increased compliance costs and delays) could materially and adversely affect the operation of the Leases and, in turn, the financial position and results of SEL.

Environmental Regulation. The Operators are subject to various federal, state and local laws and regulations covering the discharge of materials into the environment or otherwise relating to the protection of the environment. These laws and regulations affect the Operators' operations at the Leases as a result of their effect on crude oil and natural gas development and production operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, including the imposition of remedial obligations, the suspension or revocation of necessary permits, licenses and authorisations and the issuance of orders enjoining future operations or imposing additional compliance requirements.

Growth

There is a risk that SEL may be unable to manage its future growth successfully.

SEL may be unable to obtain funding for future acquisitions of lease interests, assets or businesses on favourable terms or at all. In addition, if SEL undertakes any future acquisitions of lease interests, assets or businesses, they may not perform to the level anticipated.

Accordingly, a failure to identify and successfully execute suitable acquisitions of lease interests, assets or businesses may have an adverse effect on the financial performance and/or financial position of SEL.

SEL will have further capital requirements, particularly as it currently intends to pursue acquisitions of lease interests, assets or businesses. The funding of future capital expenditure to participate in new wells on the Leases and/or growth by acquisition is dependent on the availability of debt and equity funding and the suitability of the terms of such funding.

SAU LLC has an existing credit facility with BancFirst of Oklahoma. In future, SAU LLC may need to renegotiate the terms of this credit facility or may seek further facilities or replacement facilities with alternative financiers to satisfy its capital requirements. The terms which debt financiers are willing to offer may vary from time to time depending on macroeconomic conditions, the performance of SEL and an assessment of the risks of the intended use of funds.

If the Company raises capital by further issues of shares or issues shares as consideration for acquisitions, Shareholders' interests in the Company may be diluted if the Company determines that an equal entitlement offer is not the most appropriate method of equity fundraising and places shares with new investors or if Shareholders elect not to participate in entitlement offers. Any debt financing may involve financial covenants which limit the Company's operations. If the Company is unable to obtain such additional funding, the Company may be required to reduce the scope of any expansion, which could adversely affect its financial performance.

Inability of Operators to secure funding

The Operators may require equity or debt funding to fund their capital expenditure on the Leases and related infrastructure. If any of the Operators are unable to secure such funding, which is dependent upon debt and equity market conditions that have in the past been, and may in the future be, volatile, it may adversely impact their ability to produce oil and gas from the Leases and develop and operate related infrastructure which, in turn, may detrimentally affect SEL's profitability and growth.

Disruption of business operations

SEL is exposed to a range of risks relating to operations at its Leases. Whilst SEL endeavours to take appropriate action to mitigate these operational risks, SEL cannot control the risks the Operators of its three oil and gas leases are exposed to, nor can it completely remove all possible risks relating to its own business. A disruption to the operations of SEL or the oil and gas lease Operators may have an adverse impact on the financial performance and/or financial position of SEL.

12.2 General Risks of an Investment in the Company

Economic

The financial performance and value of the Company may be influenced by various economic factors such as commodity prices, inflation, interest rates, domestic and international economic growth, taxation policies, legislative change, political stability, stock market conditions in Australia and elsewhere, changes in investor sentiment towards particular market sectors, exchange rate fluctuations and acts of terrorism.

General Market Risk

The trading price of Shares at any given time may be higher or lower than the price paid to acquire Shares under this Offer. Further, there can be no assurance that an active trading market will develop in the Shares. There may also be relatively few potential buyers or sellers of the Shares on ASX or otherwise at any time which may increase the volatility of the market price of the Shares.

The market for shares in the oil and gas sector has typically been more volatile than other share investments. Such shares have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. A significant decline in the stock market performance of companies in the oil and gas industry is likely to have a material adverse effect on the price and liquidity of the Shares.

Many other factors will also affect the price of the Shares, including general fluctuations in the performance of local and international stock markets, movements in interest rates and exchange rates, general economic conditions and investor sentiment.

Lack of Liquidity Post Listing

The Company currently has 22,257,237 shares on issue at the date of the Prospectus. The Initial Public Offer will result in the issue of another 17,500,000 shares. In percentage terms, the Offer will comprise 44% of the Company's ordinary shares on issue.

New investors of the Company should note that liquidity post listing may be constrained given a significant portion of the Company's pre-IPO shares (i.e. existing shares) may be designated by ASX as restricted securities for up to 24 months. The absence of any sale of such shares during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

Following the conclusion of the restriction period, the relevant pre-IPO Shares will be able to be freely traded on ASX. A significant sale of Shares by any one of these pre-IPO shareholders, or the perception that such sales have occurred or might occur, could adversely affect the price of Shares.

Taxation Risks

SEL is subject to the tax regimes of United States and Australia as the financial statements detail in Section 8.

In addition, changes in Australian tax laws and regulations or their interpretation and application could adversely affect the tax liabilities of SEL.

13: Material Contracts

The Directors consider that the following documents constitute significant or material contracts of the Company or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for New Shares:

1. Bancfirst Credit Mortgage
2. Directors' Indemnity Agreements
3. Managing Director & Chief Executive Officer (Richard Pritchard) – Service Agreement
4. Chief Operating Officer (Margarett Prestidge) – Service Agreement

A summary of the main terms thereof is detailed below:

13.1 BancFirst Credit Facility Agreement and Mortgage

Parties: Sustainable Australasia USA LLC (SAU LLC) and Bancfirst

Date: 9 June 2014

SAU LLC and SEL have entered into a credit agreement with Bancfirst. Bancfirst is an Oklahoma banking association. SAU LLC is the borrower. SEL has guaranteed all of the obligations of SAU LLC under the agreement. The fundamental terms of the agreement are as follows:

i. Facility limit: US$2 million. The initial limit to be drawndown is US$500,000. SAU LLC may drawdown an amount up to the initial limit at any time.

ii. Interest rate: US prime rate +4%pa.

iii. The initial limit of US$500,00 may be increased to US$2 million. SAU LLC may provide the bank with certain engineering information each six months during the term. After receiving the engineering information, the bank may notify SAU LLC of a new borrowing base up to the limit of US$2 million.

iv. The facility is repayable in June 2015 but may be extended with mutual consent.

v. The facility is secured over all of SAU LLC's US oil and gas properties.

13.2 Directors' Indemnity Agreements

Each of the Directors and the Company Secretary of the Company has entered into a deed of access, insurance and indemnity with the Company whereby the Company has agreed to:

- indemnify each Director and the Company Secretary to the extent permitted by law against liabilities and legal costs incurred by each Director and Secretary in his/her capacity as a Director and Secretary of the Company;
- maintain and pay each Directors' and officers' insurance policy; and
- provide each Director access to Board papers and other documents of the Company, both during the time the Director holds office and for a period whilst ever such Director holds office and for up to a of seven years after cessation as a Director.

13.3 Chief Executive Officer (Richard Pritchard) – Service Agreement

Parties: SEL and Richard Pritchard

Richard Pritchard is engaged as chief executive officer of the Company. The terms and conditions of his service contract are:

- Base salary: $178,000 plus statutory superannuation;
- No fixed term. The Company and Mr Pritchard may each terminate the contract by giving six months' notice of termination
- Mr Pritchard may be issued up to 4,000,000 Management Performance Options as set out in Section 14.5.

13.4 Chief Operating Officer (Margarett Prestidge) – Service Agreement

Parties: Sustainable Australasia USA, LLC and Margarett Prestidge

Margarett Prestidge is engaged to provide services in connection with SAU LLC's United States based oil and gas business activity. Ms Prestidge will manage, direct and oversee all such activity of SAU LLC and such other services as required in order to promote the overall goals and objectives of SAU LLC.

- SAU LLC shall pay Ms Prestidge US$5,000 per month and pay $1,000 per month for office facilities.
- The agreement commenced on 1 November 2014 for a term of one year and may be extended by mutual consent.
- Ms Prestidge may be issued up to 1,600,000 Management Performance Options as set out in Section 14.5.

13.5 Corporate Advisory Agreement

Parties: SEL and Jiaren Investment Pty Ltd (ACN 153 248 956) (**Jiaren**)

Jiaren has been engaged to provide corporate advisory services in relation to the Initial Public Offer. The consideration payable is $2,800 plus GST per month. The agreement terminates upon the Closing Date of the Prospectus.

14: Additional Information

14.1 Incorporation and Background

The Company was incorporated in New South Wales on 23rd November 2007. On 2nd April 2013, the Company changed its name from Sustainable Energy Australasia Limited to Shale Energy Limited.

The Company has a balance date of 31 December.

The Company has one wholly owned subsidiary, Sustainable Australasia USA LLC, a Delaware corporation, which holds all of the Company's assets in the United States.

As at the date of this Prospectus, SEL has 22,257,237 Shares on issue. There are no options or performance rights on issue.

14.2 Constitution and rights and liabilities attaching to Shares

Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, ASX Listing Rules and general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares and a description of other material provisions of the Constitution. This summary is not exhaustive and nor does it constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice. The summary assumes that SEL is admitted to the official list of ASX.

Voting at a general meeting

Subject to any rights or restrictions for the time being attached to any class of shares, at a general meeting of members every member present in person or by proxy, attorney or representative has one vote on a show of hands and one vote per share on a poll.

Dividends

The profits of the Company, which the Directors may from time to time determine to distribute by way of dividend are divisible among the holders of shares equally on the shares in respect of which the dividend is paid. For further information in respect of SEL's proposed dividend policy, see Section 15.4 of this Prospectus.

Future issues

Subject to the Constitution of the Company, the Corporations Act and ASX Listing Rules, the Directors may allot, issue, grant options over, or otherwise deal with the unissued shares in the Company at the times and on the terms and conditions that the Directors think proper and a share may be issued with preferential, deferred or special rights, privileges or conditions or restrictions including, but not limited to, restrictions in regard to dividend, voting or return of capital as the Directors from time to time determine.

Transfer of shares

Subject to the Constitution, a Shareholder may transfer Shares by a proper SCH transfer effected by an instrument of transfer in writing which complies with the Constitution or by any other method permitted by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

The Directors of the Company may refuse to register any transfer of shares, other than a proper SCH transfer (as defined in the Corporations Act), where permitted to do so under the ASX Listing Rules or SCH Business Rules or where it is not in a registerable form. The Company must not refuse to register or give effect to or delay or in any way interfere with a proper SCH transfer of shares or other securities. The Board must refuse to register a transfer of Shares when required by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

Subject to ASX Listing rules and SCH business rules while the Company is a listed Company, the Board may suspend the registration of transfers at such times and for such periods, not exceeding 30 days in any year, as they think fit.

Meetings and notices

Each shareholder is entitled to receive notice of attend and vote at general meetings of the Company and to receive all the notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or ASX Listing rules. Shareholders may requisition meetings in accordance with the Corporations Act and the Constitution.

Winding up

Shareholders will be entitled, in winding up, to surplus assets of the Company in proportion to the number of shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Shareholders:

- divide among the Shareholders the whole or any part of the property of the Company; and
- determine how the division is to be carried out as between the Shareholders.

Unmarketable parcels

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, SEL may, subject to the conditions set out in the Constitution, sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Share buy-backs

So far as it permitted by law, SEL may buy back Shares in itself on terms and at times determined by the Board.

Variation of class rights

At present, SEL's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of three quarters of the issued shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

Directors – appointment and removal

Under the Constitution, the minimum number of Directors is three and the maximum is nine unless the Company in a general meeting determines otherwise. A Director is not required to hold any shares.

The following Directors automatically retire at the end of each annual general meeting:

- any Director appointed by the Directors since the last annual general meeting;
- one third of the other Directors (not counting the Managing Director) provided that there must be at least one retiring Director; and
- any Director (not counting the Managing Director) for whom this would be the third annual general meeting since his last appointment or three years since his last appointment (whichever is the longer).

Directors – voting

Questions arising at a meeting of the Board 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 an equality of votes on a resolution, the chairperson of the meeting has a casting vote.

Directors – remuneration

The Constitution provides that non-executive Directors are entitled to such remuneration as determined by the Directors but which must not exceed in aggregate the maximum amount determined by Shareholders at a general meeting.

Non-executive Director remuneration is described in detail in Section 14.7 of this Prospectus.

Directors – interests and Share issues

The Constitution provides that the Directors shall, subject to the Constitution and the Corporations Act (and any other applicable law) be entitled to have a material personal interest or financial benefit in the Company. Further, subject to the ASX Listing Rules, Directors and their associates can also participate in an issue of Shares by the Company.

Officers' indemnity

To the extent permitted by the Corporations Act, the Company must indemnify each person who is or has been an officer of the Company against any liability incurred by the person as an officer of the Company; and may pay a premium for a contract insuring an officer of the Company against that liability.

Shareholder liability

As the shares under the prospectus are fully paid shares, they are not subject to any monetary calls by the directors and will therefore not become liable to forfeiture.

Alterations of the Constitution

The Constitution can only be amended by a special resolution passed by at least three-quarters of shareholders voting at a general meeting of SEL. SEL must give at least 28 days' written notice specifying the intention to propose the resolution as a special resolution.

ASX Listing Rules

If the Company is admitted to Official List, then despite anything in the Constitution, if ASX Listing rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that ASX Listing Rules require to be done. If ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If ASX Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be).

If any provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

14.3 Rights of Free Options

Options will be issued and allotted to all Shareholders in SEL on completion of the Initial Public Offer, namely subscribers to the New Shares and pre-IPO Shareholders (**Free Options**). A summary of the rights which relate to the Free Options offered under this Prospectus are set out below:

- The Free Options shall be issued and allotted on the basis of one option for:
  - every two New Shares allotted under this Prospectus; and
  - every two Shares held by Shareholders in SEL on Completion of the Initial Public Offer (i.e. pre-IPO Shareholders).
- The Free Options shall be issued for nil consideration.
- The Free Options shall be issued and allotted on Completion of the Initial Public Offer.
- The commencement date (**Commencement Date**) for the exercise of the Free Options shall be the date of the Company's admission to the Official List of the ASX.
- The Free Options will, except to the extent earlier exercised, expire on the date 24 months from the Commencement Date (**Expiry Date**).
- The exercise price for each Free Option shall be 30 cents (**Exercise Price**).
- The Free Option Exercise Period shall be the period commencing on the Commencement Date of the relevant Free Options and expiring on the Expiry Date of the relevant Free Options.
- Subject to the provisions of the Corporations Act 2001 and any restrictions that may be imposed under the Act, the Free Options will be freely transferable.
- The Free Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the exercise price to the Company at any time during the Free Option Exercise Period.
- There is no restriction on the number of Free Options that may be exercised at one time.
- Upon the valid exercise of the Free Options and payment of the Exercise Price, the Company will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares of the Company.
- The Free Option holder will be permitted to participate in new issues of securities of the Company on the prior exercise of the Free Options, in which case the holder of the Free Options will be afforded the period of at least 14 days notice prior to and inclusive of the record date (to determine entitlements to the issue) to exercise the Free Options.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
  - the number of Free Options, the exercise price of the Free Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Free Options which are not conferred on share-holders; and
  - subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Free Options will remain unchanged.
- If there is a pro rata issue (except a bonus issue), the Exercise Price of a Free Option may be reduced according to the following formula:

  $$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

  where:

  O' is the new Exercise Price of the Option;

  O is the old Exercise Price of the Option;

  E is one or such other number of Shares into which the Option is exercisable;

  P is the average Market Price per Share (weighted by reference to volume) of the Shares during the 5 trading days ending on the day before the 'ex rights date' or 'ex entitlements date' in relation to the Pro Rata Issue or, if at the time for determining entitlements under the Pro Rata Issue Shares have not been granted official quotation by ASX or official quotation of Shares has been suspended or has ended, the market price per Share of the Shares as determined by the board of directors of the Company acting reasonably;

  S is the subscription price for a Share under the Pro Rata Issue;

  D is the dividend (if any) due by the Company but not yet paid on the existing Shares (except those to be issued under the Pro Rata Issue); and

  N is the number of Shares with rights or entitlements that must be held to receive a right to one new Share pursuant to the Pro Rata Issue.

  Pro Rata Issue means an issue of the securities which has been offered or made to all holders of securities in a class, on a pro rata basis, but does not include an issue of securities in lieu or in satisfaction of dividends or by way of dividend reinvestment;

- The Company shall apply for listing of the shares of the Company issued upon exercise of any Free Option. This listing may or may not be granted and may be subject to restrictions or conditions imposed by the ASX or in accordance with the Corporations Act 2001.
- If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Free Option is exercisable may be increased by the number of shares which the Free Option holder would have received if the Free Option had been exercised before the record date for the bonus issue.
- The terms of the Free Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Company approve of such a change. However, the terms of the Free Options shall not be changed to reduce the exercise price, increase the number of Free Options or change any period for exercise of the Free Options.

14.4 Broker Options

SEL may issue, as part of the consideration for provision of services by licensed securities dealers or Australian financial services licensee holders (**Brokers**) in relation to the Initial Public Offer, options to acquire up to 3,000,000 ordinary shares in the Company to be allotted to entities nominated by the Brokers expiring within two years of the Company's admission to the ASX Official List. The issue of these Broker Options is conditional upon the relevant stockbroker's involvement in the successful completion of the Initial Public Offer.

The terms and conditions of the Broker Options are:

- the Broker Options entitle the holder to subscribe for ordinary shares in the Company upon payment of 30 cents;
- the Broker Options are exercisable at any time during the period commencing on the date of the Company's admission to the ASX Official List and the expiration date of 2 years thereafter. An exercise of only some of the Options shall not affect the rights of the holder to the balance of the Broker Options held by such Broker Option holder;
- Broker Options not exercised by the Expiry Date will automatically expire;
- Shares allotted and issued pursuant to the exercise of a Broker Option will be allotted and issued not more than 14 days after the receipt of a properly executed notice of exercise of Broker Option and the application monies in respect of the exercise of such Broker Option;
- all Shares issued upon exercise of the Broker Options will rank pari passu in all respects with the Company's then existing ordinary fully paid shares;
- there are no participating rights or entitlements inherent in the Broker Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Broker Options. The Company, however, will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 12 business days after the issue is announced. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue;
- in the event of any reorganisation (including reconstruction, consolidation, sub-division, reduction or return of capital) of the issued capital of the Company, the number of Broker Options or the exercise price of the Broker Options or both shall be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on option holders which are not conferred on shareholders and (subject to such provisions with respect to the rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) in all respects the terms for the exercise of the Broker Options shall remain unchanged, subject to the ASX Listing Rules; and
- the Broker Option holder has no right to a change in the exercise price of the Broker Options or a change to the number of underlying securities over which the options can be exercised unless required under the Listing Rules upon a reorganisation of capital.

14.5 Management Performance Options

Subject to the satisfaction of the various performance conditions detailed below, the maximum number of Management Performance Options which may be issued in the two years following completion of the Initial Public Offering are as follows:

- 4,000,000 Management Performance Options to Richard Pritchard, the Managing Director and Chief Executive Officer of the Company (or his nominee); and
- 1,600,000 Management Performance Options to Margarett Prestidge, the Chief Operating Officer of SEL (or her nominee).

The primary purpose of the Management Performance Options is to provide a performance linked incentive component in the remuneration packages for Richard Pritchard and Margarett Prestidge to motivate and reward their performance of in their respective roles.

The Management Performance Options (if any) will be issued for nil consideration. Each tranche can be exercised from the date of issue until their expiry which will be two years from the date of issue. The latest issue date for any tranche will be the date that is two years after Completion of the Initial Public Offering and, in turn, the latest expiry date will be the date that is four years after Completion of the Initial Public Offering.

The terms and conditions of the Management Performance Options are:

- The Management Performance Options will be issued to the Eligible Management Personnel in four tranches as follows:
  - 25% of the Management Performance Options will be issued if, and only if, the Share price of the Company has traded at 150% or greater than the Issue Price (namely 30 cents or more) for an average of 30 business days (using the 30 day Volume Weighted Average Price) (**Tranche 1**);
  - 25% of the Management Performance Options will be issued if, and only if, the Share price of the Company has traded at 200% or greater than the Issue Price (namely 40 cents or more) for an average of 30 business days (using the 30 day Volume Weighted Average Price (VWAP)) (**Tranche 2**);
  - 25% of the Management Performance Options will be issued if, and only if, the Share price of the Company has traded at 250% or greater than the Issue Price (namely 50 cents or more) for an average of 30 business days (using the 30 day Volume Weighted Average Price (VWAP)) (**Tranche 3**); and
  - 25% of the Management Performance Options will be issued if, and only if, the Share price of the Company has traded at 300% or greater than the Issue Price (namely 60 cents or more) for an average of 30 business days (using the 30 day Volume Weighted Average Price (VWAP)) (**Tranche 4**),

  where the **Issue Price** is 20 cents per Share and **Eligible Management Personnel** means Richard Pritchard and Margarett Prestidge.
- The maximum number of Management Performance Options which can be issued to the Eligible Management Personnel in the proportions set out immediately above are:
  - 4,000,000 to Richard Pritchard or his nominee; and
  - 1,600,000 to Margarett Prestidge or her nominee.
- The latest date upon which any tranche of the Management Performance Options can be issued (subject to clause 1 above) is the second anniversary of SEL's admission to the ASX Official List.
- Each Management Performance Option gives the Management Option holder the right to subscribe for one (1) Share upon:
  - exercise of the Management Performance Option in accordance with these terms; and
  - payment of the applicable Exercise Price specified below.
- Each Management Performance Options will expire at 5:00pm (AEST) on the second anniversary of the day on which it was issued (**Expiry Date**).
- The Exercise Price for each tranche of Management Performance Options is:
  - Tranche 1: 30 cents
  - Tranche 2: 40 cents
  - Tranche 3: 50 cents
  - Tranche 4: 60 cents
- The Management Performance Options will lapse upon the Management Option holder ceasing to be an employee of or consultant of the Company unless the Board otherwise makes a determination, in its absolute discretion. Without limiting the Board's discretion, the Board may make such a determination if the Management Option holder dies, is totally and permanently incapacitated or made redundant. The Company will notify a Management Option holder if the Board makes such a determination in relation to any of that Management Option holder's Management Performance Options.
- Any Management Performance Option not exercised before the Expiry Date will automatically lapse at 5:00pm (AEST) on the Expiry Date.
- Each Management Performance Option is exercisable at the applicable Exercise Price specified above payable in full on exercise of that Management Performance Options.
- A Management Option holder may exercise all or some of the Management Performance Options held by that Management Option holder. If a Management Option holder exercises only part of the Management Performance Options held by that Management Option holder, multiples of 100,000 Management Performance Options must be exercised on each occasion.
- If a Management Option holder exercises fewer than all of the Management Performance Options held by that Management Option holder, the Company will cancel the Management Option holder's holding statement and issue or cause to be issued a new holding statement for the balance of the Management Performance Options held by that Management Option holder.
- Management Performance Options may only be exercised by a Management Option holder lodging with the Company:
  - a signed written notice of exercise of Management Performance Options specifying the number of Management Performance Options being exercised;
  - the holding statement for the Management Performance Options; and
  - a cheque or electronic funds transfer notice for the Exercise Price for the number of Management Performance Options being exercised

  (collectively known as **Exercise Notice**)

- An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- Within 10 Business Days of receipt of the Exercise Notice and the full amount of the Exercise Price in cleared funds, the Company will allot the number of Shares to the Management Option holder required under the Option Plan in respect of the number of Management Performance Options specified in the Exercise Notice.
- Subject to the Corporations Act and the ASX Listing Rules, the Management Performance Options are freely transferrable.
- All Shares allotted upon the exercise of the Management Performance Options will, upon issuance, rank pari passu in all respects with other Shares.
- The Company will not apply for quotation of the Management Performance Options on ASX.
- The Company will apply for quotation of all Shares allotted pursuant to the exercise of the Management Performance Options on ASX within 10 Business Days after the date of allotment of those Shares.
- If at any time the issued capital of the Company is reconstructed, all rights of the Management Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of reconstruction.
- There are no participating rights or entitlements inherent in the Management Performance Options and the Management Option holder will not be entitled to participate in new issue of capital offered to Shareholders during the currency of the Management Performance Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced.
- This will give the Management Option holder the opportunity to exercise the Management Performance Options prior to the date for determining entitlements to participate in any such issue.
- In the event the Company proceeds with a pro rata basis (other than a bonus issue) of Securities to Shareholders after the date of issue of the Management Performance Options, the Exercise Price will be reduced in the manner permitted by the ASX Listing Rules applying at the time of the pro rata issue.
- In the event the Company proceeds with a bonus issue of Securities to Shareholders after the date of the Management Performance Options, the number of Securities over which a Management Performance Options is exercisable may be increased in the manner permitted by the ASX Listing Rules applying at the time of the bonus issue.
- The Company is entitled to treat the registered holder of Management Performance Options as the absolute holder of that Management Performance Options and is not bound to recognise any equitable or other claim to, or interest in, that Management Performance Options on the part of any person other than the registered holder, except as ordered by a court of competent jurisdiction or as required by statute.
- If a Change of Control Event occurs all unvested Management Performance Options will automatically best and be free of the conditions set out in item 3 above and may be exercised at any time on or before the relevant Expiry Date and in any number.

A **Change of Control Event** means where:

- a Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- any person becomes bound or entitled to acquire shares in the Company under:
  - section 411 of the Corporations Act (upon a scheme of arrangement being approved); or
  - Chapter 6A of the Corporations Act (compulsory acquisition following a Takeover Bid);
- a Takeover Bid or other offer is made to acquire more than 50% of the voting shares of the Company and has become unconditional;
- the Company passes a resolution for voluntary winding up;
- an order is made for the compulsory winding up of the Company; or
- a person or a group of associated persons obtains a relevant interest in sufficient Shares to give it or them the ability, in a general meeting, to replace all or a majority of the Board.

14.6 Company tax status

The Directors expect that SEL will be taxed in Australia as a public company.

14.7 Interests and Remuneration of Directors

SEL's Constitution provides that each non-executive Director is entitled to such remuneration for their services as Directors from the Company as the Directors decide, but the total amount provided to all non-executive Directors must not exceed in aggregate the amount fixed by the Company in a general meeting or, prior to an amount being fixed in general meeting, an amount determined by the Directors. The aggregate remuneration that may be paid to the non-executive Directors is currently $300,000 per annum to be apportioned among the non-executive Directors in such a manner as they determine.

The Directors may also be entitled to additional fees where they provide services outside their normal duties as directors.

The following base remuneration will be payable to the Directors effective from the of the Company's admission to the ASX Official List:

Director	Cash Fees
Richard Pritchard[1]	$178,000
Dr Richard Haren[2]	$50,000
Declan Pritchard[2]	$40,000
Total	**$268,000**

[1] Richard Pritchard has entered into a Service Agreement with SEL pertaining to the provision of services as Managing Director and Chief Executive Officer (effective from the date of the Company's admission to the ASX Official List). Further details of this Agreement are detailed in Section 13.5 while the full terms and conditions of the Management Performance Options are detailed in Section 14.5.

[2] The Company is liable to pay superannuation at prescribed rates under the Superannuation Guarantee Legislation.

Directors' interests

At the date of this Prospectus, the relevant interest held by each of the current Directors (and their Associates) in the Shares of the Company are:

Director	Direct or Indirect interest	Shares	% shareholding in SEL at date of Prospectus	% shareholding upon Completion of the Initial Public Offer*
Richard Pritchard	Direct and indirect	3,428,911	15.4%	8.6%
Dr Richard Haren	Indirect	300,000	1.3%	0.75%
Declan Pritchard	Direct and indirect	1,387,028	6.2%	3.5%
Total		**5,115,939**	**22.9%**	**12.85%**

Note: There are no options or performance rights on issue at the date of this Prospectus.
*Assumes (a) the Directors do not subscribe for New Shares in the Initial Public Offer; and (b) no Free Options are exercised by any Shareholders (including the Directors).

14.8 Related party transactions

Chapter 2E of the Corporations Act governs related party transactions with respect to public companies. Related parties include Directors and entities controlled by Directors.

Related party transactions require Shareholder approval unless they fall within one of the exceptions in Chapter 2E of the Corporations Act.

The Company has entered into a number of transactions with related parties which have fallen within one of the exceptions in Chapter 2E of the Corporations Act.

A summary of the transactions is set out below.

A. Service Agreement with Richard Pritchard (Managing Director and Chief Executive Officer)
The terms of this agreement are summarised in Section 13.5.

B. Service Agreement with Margarett Prestidge (Chief Operating Officer of SEL)
The terms of this agreement are summarised in Section 13.6.

C. Management Performance Options for Richard Pritchard and Margarett Prestidge
The terms of the Management Performance Options are detailed in Section 14.5.

14.9 Employee Long Term Incentive Plan (Performance Rights)

The Company has implemented a Long Term Incentive Plan under which the Board may grant Performance Rights to eligible employees. At the date of this Prospectus, there are no Performance Rights on issue. The rules of the Long Term Incentive Plan are summarised below.

- The Board may, in its absolute discretion, invite an eligible employee to participate in the Long Term Incentive Plan. An eligible employee means an employee of the Company or an associated body corporate of the Company (including a director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of Performance Rights under the Plan.
- Each Performance Right will be granted to eligible employees under the Long Term Incentive Plan for nil consideration.
- Each Performance Right will entitle its holder to subscribe for and be issued, one fully paid ordinary share in the capital of the Company (upon vesting and exercise of that Performance Right).
- Performance Rights will not be listed for quotation on the ASX, however, the Company will apply for official quotation of the Shares issued upon the exercise of any vested Performance Rights.
- The grant date and expiry date of a Performance Right shall be as determined by the Board when an offer to participate in the Long Term Incentive Plan is made.
- No payment is required for the exercise of a Performance Right, unless otherwise determined by the Board and advised to eligible employee at the time the offer is made.
- A participant is not entitled to participate in or receive any dividend or other Shareholder benefits until its Performance Rights have vested and been exercised and Shares have been allocated to the participant as a result of the exercise of those Performance Rights.
- There are no participating rights or entitlements inherent in the Performance Rights and participants will not be entitled to participate in new issues of securities offered to Shareholders of the Company during the currency of the Performance Rights.
- Following the issue of Shares following exercise of vested Performance Rights, participants will be entitled to exercise all rights of a Shareholder attaching to the Shares, subject to any disposal restrictions advised to the participant at the time of the grant of the Performance Rights.
- When granting Performance Rights, the Board may make their vesting conditional on the satisfaction of a performance condition within a specified period. The Board may at any time waive or change a performance condition or performance period in accordance with the Long Term Incentive Plan rules if the Board (acting reasonably) considers it appropriate to do so.
- The Performance Rights will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion.
- Subject to the Long Term Incentive Plan rules, the Board may declare that all or a specified number of any unvested Performance Rights granted to a participant which have not lapsed immediately vest if, in the opinion of the Board a change of control in relation to the Company has occurred, or is likely to occur, having regard to the participant's pro rata performance in relation to the applicable performance conditions up to that date.
- Subject to the Long Term Incentive Plan rules, the Board may in its absolute discretion declare the vesting of a Performance Right where the Company is wound up or passes a resolution to dispose of its main undertaking.
- If there is any internal reconstruction or acquisition of the Company which does not involve a significant change in the identity of the ultimate Shareholders of the Company, the Board may declare in its sole discretion whether and to what extent Performance Rights, which have not vested by the day the reconstruction takes place, will vest.

- A participant may not transfer a Performance Right granted under the Long Term Incentive Plan without the prior consent of the Board.
- A participant may not transfer a Share issued under the Long Term Incentive Plan for a period of two years after the date of issue without the prior consent of the Board or such other period as determined by the Board in its discretion.
- No issue or allocation of Performance Rights and/or Shares will be made to the extent that it would contravene the Constitution, Listing Rules, the Corporations Act or any other applicable law.
- A Performance Right will immediately lapse upon the first to occur of:
  - its expiry date;
  - the performance condition(s) (if any) not being satisfied prior to the end of the performance period(s);
  - the transfer or purported transfer of the Performance Right in breach of the Long Term Incentive rules;
  - if the Performance Right has not vested, the day that is 30 days following the date the participant voluntarily or for a bona fide reason ceases to be employed or engaged by the Company or an associated body corporate;
  - termination of the participant's employment or engagement with the Company or an associated body corporate for cause; or Long Term Incentive Plan rules.
- Where a participant ceases to be employed or engaged by the Company or an associated body corporate by reason of their death, disability, bona fide redundancy, and the Performance Rights have vested they will remain exercisable by that participant's estate or legal representative until the Performance Rights lapse in accordance with the Long Term Incentive Plan rules or if they have not vested, the Board will determine as soon as reasonably practicable after the date the participant ceases to be employed or engaged, how many (if any) of those participant's Performance Rights will be deemed to have vested and will be exercisable by that participant's estate or legal representative.

14.10 Substantial shareholders

Shareholder	Number of Shares	% shareholding in SEL at date of Prospectus	% shareholding upon Completion of the Initial Public Offer*
Jiaren Investment Pty Ltd [1]	3,592,782	16.1%	9.0%
Richard Pritchard and Associate [2]	3,428,911	15.4%	8.6%
John Perovich [1]	2,500,000	11.2%	6.3%
IorWorth Pty Ltd [1]	1,760,495	7.9%	4.4%
Declan Pritchard and Associate [3]	1,387,028	6.2%	3.5%

*Assumes (a) substantial shareholders in SEL at the date of this Prospectus do not subscribe for New Shares in the Initial Public Offer; and (b) no Free Options are exercised by any Shareholders (including the substantial shareholders).

[1] These entities are sophisticated or professional investors.

[2] Richard Pritchard is the Managing Director and Chief Executive Officer of SEL.

[3] Declan Pritchard is a Non-Executive Director of SEL.

14.11 Expenses of the Offer

The expenses of the Offer includes the costs of the Investigating Accountant's Report, fees for the Independent Geologist's Report; fees for the Independent Report on SEL's lease holdings, general capital raising fees, legal fees; ASX fees, printing, administrative and distribution costs.

The expenses (including GST) that are estimated to be paid or payable in connection with the Initial Public Offer are detailed in the following table:

Broker commissions (up to 7% of gross Initial Public Offer Proceeds)	$269,500
Broker Options*	$70,000
Investigating Accountant's Fees	$16,500
Legal fees (including Independent Report on Lease interests)	$31,960
Independent Geologist's Report	$6,000
Prospectus printing and distribution	$11,000
ASIC fees	$2,290
ASX fees	$56,561
Share Registry fees	$3,300
Total	**$467,111**

*Estimated value of 3,000,000 Broker Options (the maximum number which will be issued) calculated in accordance with AASB 2 using a Black-Scholes option valuation model with a 20 cent Share price, 30 cent option exercise price, 2 years to expiry and assuming 40% volatility

14.12 Australian taxation considerations

The acquisition and disposal of shares in SEL will have tax consequences, which will differ depending on the individual financial advice about the consequences of acquiring shares from a taxation viewpoint and generally.

The taxation obligations and the effects of the participation in this Offer can vary depending upon the circumstances of each individual investor, the particular circumstances relating to his/her holding of securities and the taxation laws applicable to investors or residents of different jurisdictions.

Investors who are in doubt as to their taxation position should seek professional advice. It is solely the responsibility of the individual applicant to inform himself or herself of his or her taxation position resulting from participation in this Offer.

The above does not purport to be an exhaustive statement of the law relating to tax and is provided as a guide only. If you are in any doubt, please consult your accountant, lawyer or taxation consultant.

To the maximum extent permitted by Law, SEL, its current and proposed officers and each of their respective advisers accept no responsibility with respect to the taxation consequences of subscribing for New Shares under this Prospectus.

Tax File Numbers

An Applicant for shares is not obliged to quote his or her Tax File Number (TFN). However, in cases where no TFN is quoted, SEL must deduct tax from any dividend payable (to the extent that they are not franked) at the top personal marginal rate plus Medicare Levy, which presently amounts to 46.5% in aggregate. There are special rules for the quotation or non-quotation of TFNs applying to different categories of investors such as non-residents of Australia, tax-exempt bodies, joint holders and other special categories. Applications by individuals, companies, partnerships, trustees, superannuation funds and approved deposit fund are largely unaffected by any special rules and therefore may quote a TFN by simply completing the TFN details on the Application Form.

The above does not purport to be an exhaustive statement of the law relating to TFN's and is provided as a guide only. If you are in any doubt, please consult your accountant, lawyer or taxation consultant.

Goods and Services Tax

Investors should not be liable for goods and services tax in respect of their acquisition or disposal of Shares. No GST should be payable by Shareholders on receiving dividends distributed by the Company.

Stamp Duty

No Australian stamp duty should be payable by Shareholders in respect of their acquisition or disposal of their Shares.

Individual Shareholders should obtain their own independent advice depending on their individual circumstances.

14.13 Litigation

The Company is not involved in any legal proceedings other than set out below nor, so far as the Directors are aware, are there current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which the Company is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Company.

The Company is in the process of settling a deed of release with an ASX listed company. The release is in relation to a transaction which will no longer proceed and which was evidenced by a binding term sheet. The maximum exposure of the Company under the deed of release is $50,000.

14.14 Directors' and others' interest

Other than as set out in this Section or elsewhere in this Prospectus, no Director or person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or promoter of SEL holds, or has held since incorporation of SEL and before the date of this Prospectus, any interest in the Offer or holds, or has held within two years before the date of this Prospectus, any interest in the Offer of the formation or promotion of, or in any property acquired or proposed to be acquired by SEL.

Walker Wayland NSW has prepared a review of the pro-forma accounts which are included in this Prospectus. Total fees for this work are estimated to be $15,000 (excluding GST). During the two years prior to lodgement of this Prospectus with ASIC, Walker Wayland NSW has not performed any other work for SEL other than completing SEL's audits.

BTC Lawyers is named in the Corporate Directory as the Solicitor to the Initial Public Offer. BTC Lawyers was involved in the preparation of this Prospectus and it has been involved in the process of reviewing this Prospectus for consistency with the material agreements. In doing so, BTC Lawyers has placed reasonable reliance upon information provided to it by the Company and other third parties. BTC Lawyers does not make any other statement in this Prospectus. BTC Lawyers will be paid fee of $25,000 (excluding GST and disbursements) for work performed in accordance with the preparation of its Prospectus. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, BTC Lawyers has also provided legal services at normal commercial rates.

Neset Consulting Service has prepared the Independent Geologist's Report in relation to SEL's Lease interests in North Dakota, United States. In accordance with their terms of engagement, the Company estimates it will pay Neset Consulting Service a total of $6,000 for these services. Neset Consulting Service has not performed any other work for SEL within the last two years before the lodgement of this Prospectus.

Kathleen Neset is the competent person providing the competent person's statement in respect to the report by Neset Consulting Service dated 17 November 2014. She was involved in the preparation of the Independent Geologist's Report that has been referenced in this Prospectus. In doing so, she has placed reasonable reliance upon information provided to Neset by the Company and other third parties. She does not make any other statement in this Prospectus.

Rose Rock Title, P.L.C. has prepared the Independent Report on SEL's interests in four oil and gas leases in North Dakota, United States. In accordance with their terms of engagement, the Company estimates it will pay Rose Rock Title, P.L.C. a total of $4,210 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Rose Rock Title, P.L.C. has also provided leasehold reports for the Company (upon the acquisition of its interests in the Hawkeye Lease and the Dorothy Lease) at its normal commercial rates.

14.15 Consents

Written consents to the issue of this Prospectus have been given and at the date of this Prospectus have not been withdrawn by the following parties:

- BTC Lawyers has given and, before lodgement of this Prospectus, has not withdrawn his consent to be named as solicitor to the Initial Public Offer in the form and context in which it is named;
- Walker Wayland NSW has given and, before lodgement of this Prospectus has not withdrawn its written consent to be named as the Auditor of the Company and the Independent Accountant in this Prospectus and to the inclusion of the Independent Accountant's Report in Section 8 of this Prospectus in the form and context in which the information and report is included;
- Neset Consulting Service has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named in the Prospectus and for the inclusion of the Independent Geologist's Report on SEL's interests in the Leases in North Dakota, United States, in the form and context in which the information and report is included.

- Rose Rock Title, P.L.C. has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named in the Prospectus as the Attorney reporting on SEL's interests in the Leases in North Dakota, United States, and for the inclusion of the Independent Report on SEL's Lease Interests in the form and context in which the information and report is included; and
- Boardroom Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named.

No entity or person referred to above (other than a Director of the Company) has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above (other than a Director of the Company) has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and, subject to the law, expressly disclaims and takes no responsibility for any statements or omissions in this Prospectus except as stated above.

14.16 Governing Law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in NSW (Australia), and each applicant for New Shares under this Prospectus submits to the exclusive jurisdiction of the courts of NSW (Australia).

14.17 Subsequent events

There has not arisen at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

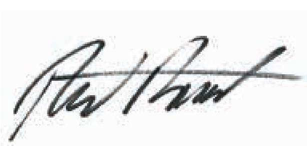
- the operations of the Company;
- the results of those operations; or
- the state of affairs of the Company.

14.18 Directors' statement, authorisation and consent

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statement made by the Directors in this Prospectus is not misleading or likely to mislead or deceive. With respect to any statements made in the Prospectus other than by the Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that the persons making those statements are competent to make such statements, those persons have given their consent to the statements included in this Prospectus in the form and context in which they are included and have not withdrawn their consent before lodgement of this Prospectus.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement with ASIC of this Prospectus and has not withdrawn that consent.

SIGNED on behalf of the Board of Directors



Richard Pritchard
Managing Director and Chief Executive Officer
18th November 2014

15: Glossary

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

1P means Proven Reserves

2P means Proven Reserves plus Probable Reserves

3P means Proven Reserves plus Probable Reserves plus Possible Reserves

A$** or **$ or **cents** means Australian currency (unless otherwise stated).

AAPG means American Association of Petroleum Geologists.

AEDT means Australian Eastern Daylight Savings Time as observed in Sydney, New South Wales.

Applicant means a person who submits an Application.

Application means a valid application for New Shares under this Initial Public Offer.

Application Form means the application form attached to and forming part of the Prospectus (and includes a copy of the application form printed from the website at which Electronic Prospectus is located).

Application Monies means the offer price multiplied by the number of New Shares applied for.

ASIC means the Australian Securities and Investment Commission.

Associate has the same meaning as in the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) trading as the Australian Securities Exchange or the financial market operated by it (as the context requires).

ASX Listing Date means the first day of trading of the Company's shares on the ASX.

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

ASX Settlement Operating Rules means the rules of ASX Settlement Pty Limited (ACN 008 504 532).

Australian Accounting Standards or **Accounting Standards** means accounting standards as defined in the Corporations Act.

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

BOE means barrels of oil equivalent. Natural gas is converted to barrels of oil equivalent generally using a ratio of 5,487 cubic feet of natural gas per one barrel of crude oil.

BOPD means barrels of oil per day.

Broker Options means the options which may be issued as part of the consideration for provision of services by licensed securities dealers or Australian financial services licensee holders on Completion of the Initial Public Offering as described in Section 14.4.

Business Day means a day on which the ASX is open for trading.

CHESS means the Clearing House Electronic Sub-register System which is operated by ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX.

Closing Date means 15 December 2014 (or such other date as determined by the Board).

Company or **SEL** means Shale Energy Limited (ACN 128 604 697).

Completion means completion in respect of the allotment of New Shares under the Initial Public Offer.

Constitution means the constitution of the SEL.

Corporations Act means the Corporations Act 2001 (Cth).

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

Dorothy Lease means the oil and gas lease unit of sections 27 and 34 of Township 163 North, Range 101 West within Divide County in the state of North Dakota in the United States in which SEL has a lease ownership interest.

EIA means the United States Energy Information Administration, a statistical and analytical agency within the US Department of Energy.

Electronic Prospectus means the electronic copy of this Prospectus located at the Company's website: www.shaleenergy.com.au

EOG means EOG Resources, Inc.

EOG Permits means NDIC order number 24677 of 29th May 2014 which grants EOG permission to develop up to 28 wells to drain the Middle Bakken and Three Forks formations on the Hawkeye Lease.

Exposure Period means the seven day period after the date of this Prospectus, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted.

Free Options means the options to be issued to Shareholders (both subscribers to the Initial Public Offering and Pre-IPO Shareholders) in accordance with this Prospectus on completion of the Initial Public Offering as described in Section 14.3.

Gross Acreage means the amount of leased real estate in which an entity (usually a petroleum/oil company) holds a Working Interest.

GST means goods and services tax.

Hawkeye Lease means the oil and gas lease unit covering 13 and 24 of Township 152 North, Range 95 West within McKenzie County in the state of North Dakota in the United States in which SEL has a lease ownership interest.

Horovitz Lease means the oil and gas lease unit covering sections 9 and 10 of Township 147 North, Range 98 West within McKenzie County in the state of North Dakota in the United States in which SEL has a lease ownership interest.

HIN means Holder Identification Number.

Hydraulic Fracturing means the practice of pumping water and other liquids down a well into subsurface rocks under pressures that are high enough to fracture the rock.

Independent Geologist's Report means the independent geologist's report prepared by Neset Consulting in Section 10.

IPO means the initial public offering of the Company pursuant to this Prospectus.

LLS means the Light Louisiana Sweet crude oil index.

Leases means the four shale oil and gas leases located in the Bakken/Three Forks region within the Williston Basin of North Dakota (United States) in which SEL holds interests (through SAU LLC), namely the Hawkeye Lease, the Yauch Lease, the Horovitz Lease and the Dorothy Lease.

Lease Unit or **Spacing Unit** means the legal area in North Dakota generally being 1,280 acres; that is, an area 1 mile by 2 miles where all mineral owners in the spacing unit share in all oil production from that area, regardless of where the well and horizontal bore are located in the unit. As additional wells and horizontal bores are drilled in the future, all mineral owners will continue to share in all production.

MMbbl/MMbl means million barrels oil.

Management Performance Options means the options which will be issued to the Managing Director & Chief Executive Officer and the Chief Operating Officer conditional upon the satisfaction of specified Share Price based hurdles as described in Section 14.5.

MMSTB means million stock tank barrels, where one stock tank barrel (STB) represents the volume of one barrel of oil after production, at surface pressure and temperature.

NDIC means North Dakota Industrial Commission.

Net Acres means the Gross Acres in a Lease (or a portion of a lease) multiplied by SEL's Working Interest and represents SEL's net mineral rights in a given Lease.

Net Revenue Interest (or **NRI**) means the share of revenue accruing to the Working Interest after deducting all lease burdens (royalties, overriding royalties or similar burdens)

New Shares means fully paid ordinary shares in SEL to be issued in accordance with and on the terms set out in this Prospectus.

Initial Public Offer means the offer of 17,500,000 New Shares under this Prospectus.

Offer Price means 20 cents per New Share, payable on application for the New Shares.

Official Quotation means quotation on the Official List of the ASX.

Opening Date means 24 November 2014.

Operator(s) means EOG and/or Sinclair and/or SM Energy (as the context requires).

PDP or **Proved Developed Producing** means Proved Reserves to be produced from completion interval(s) open to production.

Pooling means an industry practice in which the interest of the mineral owner will be combined with the mineral interests of adjacent owners to improve efficiency; each mineral owner will receive their portion of the combined mineral interests. In North Dakota the pooling and spacing unit size is specified by the State.

Pre-IPO Shareholders (or **Existing Shareholders**) means all holders of Shares in the Company at the date of this Prospectus.

Pro-Forma Review means the review of SEL's pro-forma financial statements prepared by Walker Wayland NSW in Section 8.

Prospectus means his document dated 18 November 2014 and any replacement or supplementary prospectus in relation to this document.

Proved Developed Reserves means Proved Reserves to be recoverable through existing wells. These may be further classified as Proved Developed Producing or Proved Developed Non-Producing.

Proved Reserves means reserves that can be estimated with reasonable certainty to be recoverable under current economic conditions, i.e. prices and costs prevailing at the time of this estimate. Facilities to process and transport the reserves must be operational or a reasonable commitment to install them must be present. Depending upon their development status, Proved Reserves are further subdivided into Proved Developed Reserves (with further sub-classifications of Proved Developed Producing or Proved Developed Non-Producing) or Proved Undeveloped.

PUD or **Proved Undeveloped** means Proved Reserves to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion, deepening, or new fluid injection facilities.

Reservoir means subsurface rock formation containing an individual and separate natural accumulation of moveable petroleum that is confined by impermeable rocks/formations and is characterised by a single-pressure system

Resources The term "resources" is intended to encompass all quantities of petroleum (recoverable and unrecoverable) naturally occurring on or within the Earth's crust, discovered and undiscovered, plus those quantities already produced.

SAU LLC means Sustainable Australasia USA, LLC, a Delaware registered corporation and a wholly owned subsidiary of SEL.

section (where this term is referred to in relation to the Leases) means an area of nominally one square mile and containing 640 acres (or 260 hectares). In the United States land surveying regime (under the Public Land Survey System (PLSS)), 36 sections make up one survey township on a rectangular grid.

Section means a section of this Prospectus.

SEL means Shale Energy Limited (ACN 128 604 697).

Shale oil or gas means a natural gas or crude oil produced from shale. Shale has low matrix permeability (is tight), so gas or oil production in commercial quantities requires fractures to provide permeability. Shale gas or shale oil has been produced for years from shale with natural fractures, while the shale gas and shale oil boom in recent years has been due to modern technology in hydraulic fracturing which create extensive artificial fractures around well bores.

Share(s) means ordinary fully paid voting shares in the capital of the Company.

Share Registry means Boardroom Pty Limited.

Shareholder(s) means the holder of a share.

Sinclair means Sinclair Oil Corporation, a private oil and gas company founded in 1916 and operator of the Yauch Lease and Horovitz Lease.

SM Energy means SM Energy Company which was founded in 1908, is listed on the New York Stock Exchange and is the operator of the Dorothy Lease.

Spacing Unit has the same meaning as **Lease Unit** which is defined above.

SPE means Society of Petroleum Engineers.

SPEE means Society of Petroleum Evaluation Engineers.

SRN means Shareholder Reference Number.

US$ means United States currency.

Walker Wayland means Walker Wayland (NSW) (ABN 55 931 152 366).

Working Interest (or **WI**) means the cost bearing ownership share of an oil and gas lease.

WPC means World Petroleum Council.

WTI means West Texas Intermediate oil price index.

Yauch Lease means the oil and gas lease unit covering sections 3 and 4 of Township 147 North, Range 98 West within McKenzie County in the state of North Dakota in the United States in which SEL has a lease ownership interest.

Corporate Directory

Directors

Dr Richard Haren (Non-Executive Chairman)
Richard Pritchard (Managing Director and Chief Executive Officer)
Declan Pritchard (Non-Executive Director)

Company Secretary

Graeme Hogan

Registered Office

Suite 1008
Level 10, 37 Bligh Street
Sydney NSW 2000
Telephone: 02 9223 2497
Email: info@shaleenergy.com.au

Website

www.shaleenergy.com.au

Registered Office - United States

Sustainable Australasia USA, LLC
520 Pointe Parkway Blvd
Yukon, Oklahoma, United States

Solicitor to the Initial Public Offer

BTC Lawyers
Suite 9
Level 9, 37 Bligh Street
Sydney NSW 2000

Independent Accountant / Auditor

Walker Wayland NSW
Suite 11.01, Level 11
60 Castlereagh Street
Sydney NSW 2000

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Independent Geologist

Neset Consulting Service
6844 Hwy 40
Tioga, North Dakota, United States

Independent Attorney reporting on SEL's leasehold interests

Rose Rock Title, P.L.C.
10736 S. 69th East Avenue
Tulsa, Oklahoma, United States

Corporate Adviser

Jiaren Investments Pty Ltd
Level 40, 2 Park Street
Sydney NSW 2000

Shale Energy Limited ACN 128 604 697
General Offer Application Form

This is an Application Form for Shares in Shale Energy Limited (Company) on the terms set out in the Prospectus dated 18 November 2014. Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 10,000 Shares and multiples of 2,500 Shares thereafter. For every two shares subscribed applicants will receive one free attaching option with an exercise price of 30c and an expiry date two years after the company has listed on the ASX. This Application Form and your cheque or bank draft must be received by **5.00pm (AEST) on 15 December 2014.**

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus dated 18 November 2017 and contains information relevant to a decision to invest in the Securities of the Company and you should read the entire Prospectus carefully before applying for Securities.

To meet the requirements of the Corporations Act 2001 (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by the Prospectus dated 18 November 2014. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. The Company will send you a free paper copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy before the Prospectus expires on 18 December 2015.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

A Number of Shares you are applying for

Minimum of 10,000 Shares to be applied for and thereafter in multiples of 2,500 Shares

x $0.20 per Share =

B Total amount payable

$

C Write the name(s) you wish to register the Securities in (see reverse for instructions)

Applicant #1

Name of Applicant #2 or <Account Designation>

Name of Applicant #3 or <Account Designation>

D Write your postal address here

Number/Street

Suburb/Town

State

Postcode

E CHESS participant – Holder Identification Number (HIN)

Important please note if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your Application will be held on the Issuer Sponsored subregister.

F Enter your Tax File Number(s), ABN, or exemption category

Applicant #1

Applicant #2

Applicant #3

G Cheque payment details – PIN CHEQUE(S) HERE

Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A$

H Contact telephone number (daytime/work/mobile)

I Email address

Declaration: By submitting this Application Form with your Application Amount, I/we declare that I/we:

- ✓ have read the prospectus in full;
- ✓ have received a copy of the electronic Prospectus or a print out of it;
- ✓ have this Application Form in accordance with the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate;
- ✓ where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company and have provided that individual with a copy of, or details as to where to obtain, the Privacy Policy;
- ✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- ✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our application may be rejected by the Company in consultation with the Lead Manager in its absolute discretion;
- ✓ authorise the Lead Manager and the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Securities to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Company;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Securities, nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Securities may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register the Prospectus, the Securities or the Offer.

Guide to the General Offer Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

A If applying for Shares insert the ***number*** of Share for which you wish to subscribe at Item **A** (not less than 10,000 Shares and then in multiples of 1,000 Shares). Multiply by A$0.20 to calculate the total Application Amount for Shares and enter the ***A$amount*** at Item **B**.

C Write your ***full name***. Initials are not acceptable for first names.

D Enter your ***postal address*** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**

F Enter your Australian ***tax file number*** (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.

G Complete ***cheque details*** as requested. Make your cheque payable to Shale Energy Limited – Share Offer. Cross it and mark it 'Not negotiable'. Cheques must be in Australian currency, and cheques must be drawn on an Australian bank. Alternatively you can apply online at www.boardroomlimited.com.au/ShaleEnergyGeneralOffer and pay by BPAY.

H Enter your ***contact details*** so we may contact you regarding your Application Form or Application Monies.

I Enter your ***email address*** so we may contact you regarding your Application Form or Application Amount or other correspondence.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form with your cheque(s) or bank draft attached to one of the following addresses:

Mailing address:
Shale Energy Limited
C/-Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Delivery address:
Shale Energy Limited
C/-Boardroom Pty Limited
Level 7, 207 Kent Street
SYDNEY NSW 2000

The Offer closes at 5.00pm (AEST) 15 December 2014.
It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and + 61 2 9290 9600 outside Australia.

Privacy Statement

Boardroom Pty Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form.

Our privacy policy is available on our website (http://www.boardroomlimited.com.au/Privacy.html).

Shale Energy Limited