



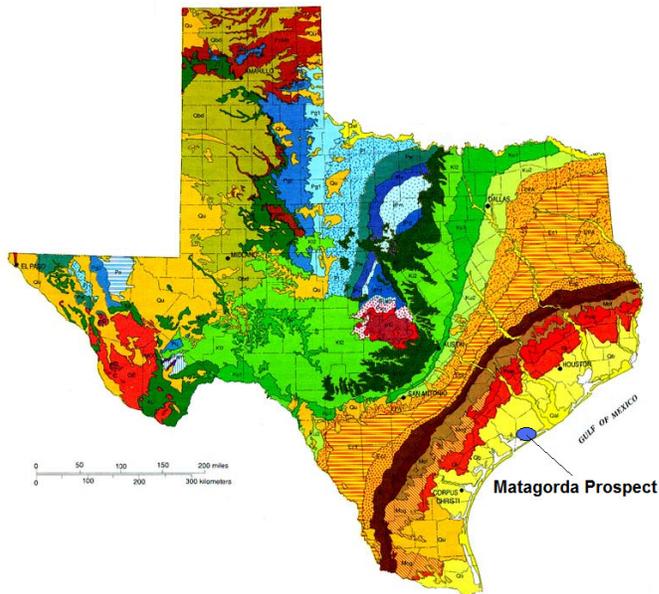
ASX/MEDIA ANNOUNCEMENT  
12 July, 2011

## ACQUISITION OF SIGNIFICANT OIL & GAS ASSET

### Highlights:

- Monitor signs binding Terms Sheet to acquire a 20% interest in an oil and gas project in Matagorda County, Texas (“Acquisition”);
- The Operator estimates the “Matagorda Project” has the potential to contain 1+ TCF & 10 MMbo in prospective resources;
- Share Placement to raise funds for the Acquisition;
- Change in Board to drive the future direction of the Company;
- Change in Company name.

The Board of Monitor Energy Limited (ASX: MHL) (“Monitor” or “Company”) is pleased to advise that it has executed a binding Term Sheet (“Agreement”) to acquire a 20% interest in the Matagorda Project located in Matagorda County, Texas (“Matagorda Project”), an oil and gas project located within the prolific lower Frio trend of the Texas Gulf Coast (“Acquisition”).



Location Map Map of Texas

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## **Matagorda Project**

The Matagorda Project is a large structural closure with an area of approximately 1,750 acres. It is located in an ideal geological setting on trend with recently drilled wells flowing at sustained rates of 20 million cubic feet of natural gas and 200 barrels of oil per day, without any fracture stimulation. A 17,500 ft. well has been proposed to test the Matagorda trap that has been estimated by the Operator of the Project, to contain prospective resources of more than 300 billion cubic feet of natural gas (Bcf) and 3 million barrels of oil (MMbo) or condensate (mid case). Depending on reservoir thickness and column, the Project could contain prospective resources of more than 1 trillion cubic feet of natural gas (Tcf) and 10 million barrels of oil (MMbo) or condensate (high case).

The Project was delineated from high quality 3D seismic data, the oil and gas industry's best tool for imaging hydrocarbon traps. Nearby wells have confirmed hundreds of feet of high quality reservoir sandstones, and the proposed well is expected to penetrate the objective formation approximately 500 feet higher than the closest well which is 4 km's away and produced gas and condensate from the very top of the objective section. All of the nearby wells have encountered thick, high quality porous sandstones, indicating that the risk of poor reservoir rock is low. Seismic interpretation indicates that the reservoir rocks were in a trapping position in time to receive hydrocarbon charge, and this is supported by other discoveries along trend. Once formed, the Matagorda trap was buried beneath an estimated 8500 ft. of impermeable shale, which formed an ideal seal to keep the oil and gas in place.

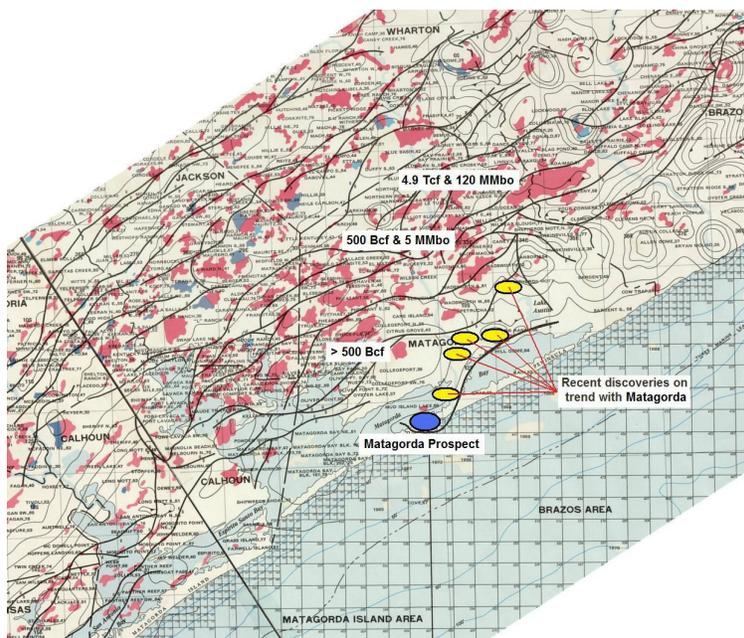
The targeted objectives at the Matagorda Project are the same age as those found productive in *Old Ocean Field* (4.9 Tcf) approximately 53 km northeast of the Matagorda Project, and *East Bay City Field* (500 Bcf) approximately 43 km to the northeast. The latest discovery along trend at the *Silverspoon Field*, located approximately 24 km northeast of Matagorda, came on line at over 18 MMcfd and has produced 9.9 Bcf and 100,000 barrels of oil in just over 2 years. *Silverspoon* is still producing at roughly 6.5 MMcfd and has approximately 100 additional feet of pay section behind pipe, which will potentially deliver more gas and condensate.

The Operator of the Matagorda Project, Dan A. Hughes Co, is planning to spud the first exploration well as early as Q1 2012.

## **Matagorda Acquisition & Partners**

Monitor will acquire its 20% interest in the Project through the acquisition of 100% of the issued capital of Sugarbay Investments Pty Ltd, the current assignee and participant in the Project.

Monitor's major partner and Operator of the Matagorda Project will be Dan A. Hughes Co., a prominent, independent petroleum exploration and production company with a 43-year record of success in discovering and producing hydrocarbons. Under the direction of Mr. Dan Hughes, with his 56 years of geological experience, and Dan Hughes Jr., with 27 years of experience, the company develops, drills, and operates oil and gas properties throughout Texas, Louisiana, Mississippi, Arkansas and the Rocky Mountains of the United States. Hughes has also made significant discoveries and is currently operating numerous international properties in Colombia, South America. Hughes holds a 50% working interest in the Matagorda Project. Other US companies and their management hold the remaining 30% working interest.



Texas Gulf Coast Regional Map with Oil & Gas Fields

## Transaction Details

The consideration for the Acquisition is set out below and the Acquisition, including related capital raisings, is subject to approval by Monitor shareholders at a General meeting to be held in the near term.

## Transaction Consideration

Monitor will acquire 100% of the issued share capital of Sugarbay Investments Pty Ltd in consideration for:

- \$1,200,000 being reimbursement for past costs including fees for land, legal, environmental, engineering, geophysical, geological and finance expenses associated with the Matagorda Project.
- the issue of 2,750,000,000 shares in Monitor ("Monitor Shares").

## Capital Raisings

Completion of the Acquisition is conditional on a placement of 2,000,000,000 Monitor Shares at an issue price of 0.1 cents to raise \$2,000,000 (before costs) ("Share Placement"). The Share Placement will be lead and managed by Max Capital Pty Ltd on commercial terms.

The indicative effect of the Acquisition on the share capital structure of the Company will be as follows:

Shares	Number	Percentage
Shares currently on issue	4,350,671,434	47.81%
Shares to be issued under Placement	2,000,000,000	21.98%



Shares to be issued as part consideration for the Acquisition	2,750,000,000	30.22%
Total Shares on issue	9,100,671,434	100%

### **Board Changes and Sale of Significant Shareholding**

As at the signing of the Agreement, Mr. Scott Spencer has resigned from the board and Mr. Jason Bontempo has been appointed as a Director of Monitor as part of the proposed Acquisition and will assist in its completion. Mr. Bontempo is a Chartered Accountant and holds considerable ASX public company management and corporate advisory experience in the resources industry.

Subject to the approval of the Acquisition and other proposed resolutions by Monitor shareholders, Mr. Greg Bandy and Mr. Jeremy King will be appointed as Directors of Monitor and Mr. Mark Gwynne and Mr. Paul Kelly will resign.

Mr. Greg Bandy is a current Director of Red Emperor Resources NL (ASX/AIM: RMP) and a former director of Empire Beer Group (ASX: EEE) (now Car Park Technologies (ASX: CPZ)). Mr. Bandy is a Senior Advisor at Patersons Securities Limited and has over 12 years experience in retail, corporate and capital markets, both in Australia and overseas.

Mr. Jeremy King is a corporate lawyer with over 12 years experience in domestic and international legal, financial and corporate matters. He has extensive corporate experience, particularly in relation to cross-border private equity, leveraged buy-out acquisitions and acting for banks, financial institutions and corporate issuers in respect of various debt and equity capital raisings. As a corporate advisor with Max Capital Pty Limited, he regularly advises a wide range of listed public and private companies in respect of capital raisings, investments, acquisitions and corporate issues.

In conjunction with the Acquisition and related approvals, substantial shareholder Cape Lambert Resources Limited has agreed to sell its 14.37% stake in the Company which will be placed to clients of Max Capital Pty Ltd in concurrence with the Share Placement.

### **Change of Company Name**

It is proposed that the Company name be changed from "Monitor Energy Limited" to "Orca Energy Limited".

### **Notice of Meeting**

A Notice of Meeting will be dispatched to shareholders in the near future seeking Monitor shareholder approval for the Acquisition and the related raisings and board changes as set out above.

### **Option Term Variation**

As stated in ASX Announcement dated 5 July 2012, the Company has lodged an application for a waiver of Listing Rule 6.23.3 with the ASX, in respect of the Company's listed options (MHL0). The application for waiver requests ASX's approval, subject to receipt of shareholder approval, for a variation to the expiry date from 31 August 2011 to 31 August 2013 and an increase of exercise price from 2.5c (\$0.025) to 3c (\$0.03). The decision by ASX will be reported to shareholders upon receipt. If the waiver is successful, the variations will be included for shareholder



approval at the proposed general meeting of shareholders convened to consider, inter alia, the Acquisition and Share Placement.

### **Competent Person Statement**

The information included in this Announcement that relates to resources was prepared by Mr. Mark A. Patterson. Mr. Patterson has over 30 years of oil and gas experience and is a member of the American Association of Petroleum Geologists, the Society of Exploration Geophysicists, and the Council of Energy Advisors. With over 30 years of oil and gas experience. Estimates as to recoverable hydrocarbon volumes contained in this Announcement are based upon certain assumptions. Accordingly, actual results will differ, and may differ significantly and materially, from those presented.

### **Forward Looking Statements**

*Certain statements contained in this announcement, including information as to the future financial or operating performance of Monitor Energy Limited and its projects, are forward looking statements. Such forward looking statements:*

- *are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Monitor Energy Limited, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies;*
- *involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward looking statements; and*
- *may include, among other things, statements regarding targets, estimates and assumptions in respect of production and prices operating costs production prices, and results, capital expenditures, reserves and resources and anticipated flow rates, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.*

*Monitor Energy Limited disclaims any intent or obligation to update publicly any forward looking statements, whether as a result of new information, future events or results or otherwise.*

*The words “believe”, “expect”, “anticipate”, “indicate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward looking statements.*

*All forward looking statements made in this presentation are qualified by the foregoing cautionary statements. Investors are cautioned that forward looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward looking statements due to the inherent uncertainty therein.*

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