

**GB Energy Limited**

**ACN 118 758 946**

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**Notice of General Meeting**

**and**

**Explanatory Statement**

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**Date of meeting**

13 May 2011

**Time of meeting**

9.00am

**Place of meeting**

Level 1, 26 Eastbrook Terrace, East Perth WA 6004

This Notice of General Meeting should be read in its entirety.  
If shareholders are in doubt as to how they should vote, they should seek advice  
from their accountant, solicitor or other professional adviser before voting.

## Notice of General Meeting

GB Energy Limited ACN 118 758 946 (**GB Energy**) will hold a general meeting at Level 1, 26 Eastbrook Terrace, East Perth, WA 6004 on 13 May 2011 at 9.00am (Perth time).

The Explanatory Statement that accompanies and forms part of this notice of general meeting (**Notice**) describes the matters to be considered at the meeting.

### AGENDA

#### Resolution 1

##### Approval for change in scale of activities

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 11.1.2, approval is given for GB Energy to make a significant change in the scale of its activities by acquiring all the shares in Worrior (PPL 207) Pty Ltd ACN 149 682 628 on the terms and conditions described in the Explanatory Statement accompanying this Notice."*

##### Voting Exclusion

In accordance with the ASX Listing Rules, GB Energy will disregard any votes cast on this resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any of their associates.

However GB Energy need not disregard a vote if:

- it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### Resolution 2

##### Consolidation of capital

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, subject to the passing of Resolution 1 and subject to GB Energy receiving applications for shares exceeding the minimum subscription amount under a prospectus on the terms and conditions as described in the Explanatory Statement accompanying this Notice by the closing date of the prospectus, for the purposes of section 254H of the Corporations Act and clause 4.1 of GB Energy's constitution, the issued capital of GB Energy be consolidated on the basis that:*

- (a) every six shares be consolidated into one share; and
- (b) every six options be consolidated into one option,

*with the consolidation taking effect on a date announced to ASX in accordance with the ASX Listing Rules and where this consolidation results in a fraction of a share or option being held by a shareholder or optionholder (as the case may be), the directors be authorised to round that fraction up to the nearest whole share or option."*

### **Resolution 3**

#### **Approval for issue of shares and options to Cooper Energy Limited**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, subject to the passing of Resolutions 1 and 2, for the purposes of ASX Listing Rule 7.1, approval is given for the directors of GB Energy to allot and issue 2,083,333 shares in GB Energy and 1,041,666 options over unissued shares in GB Energy, to Cooper Energy Limited ACN 096 170 295 in part consideration for the acquisition of the shares in Worrior (PPL 207) Pty Ltd ACN 149 682 628 on the terms and conditions described in the Explanatory Statement accompanying this Notice."*

#### **Voting Exclusions**

In accordance with the ASX Listing Rules, GB Energy will disregard any votes cast on this resolution by Cooper Energy Limited, any person who may participate in the proposed issue, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any of their associates. However, GB Energy need not disregard the votes if:

- it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Resolution 4**

#### **Approval for issue of shares and options under prospectus**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, subject to the passing of Resolutions 1 and 2, for the purposes of ASX Listing Rule 7.1, approval is given for the directors of GB Energy to allot and issue up to 87.5 million shares in GB Energy at an issue price of \$0.24 per share and up to 43.75 million options over unissued shares in GB Energy for no consideration under a prospectus on the terms and conditions as described in the Explanatory Statement accompanying this Notice."*

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### **Resolution 5**

#### **Approval for participation by directors of GB Energy in the share and option issue under prospectus**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, subject to the passing of Resolution 4, for the purposes of ASX Listing Rule 10.11,*

*approval is given for the directors of GB Energy, their nominees and any of their associates to participate in the share and option issue contemplated by Resolution 4."*

#### **Voting Exclusion**

In accordance with the ASX Listing Rules, GB Energy will disregard any votes cast on this resolution by any director of GBX, being Russell Barnett, Andrew Andrejewskis, Gordon Hart and Paul Young, their nominees and any of their associates.

However GB Energy need not disregard a vote if:

- it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**BY ORDER OF THE BOARD, DATED 13 April 2011**



**Mr Russell Barnett  
Chairman**

#### **Voting and the proxy**

For the purpose of determining the voting entitlements at the meeting, the directors have determined that shares in GB Energy will be taken to be held by the registered holders of those shares at 5.00pm (Perth time) on 11 May 2011 being not more than 48 hours before the meeting. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

A shareholder wishing to vote on the resolutions contained in this Notice should either attend in person, or appoint a proxy or proxies to attend or vote on the shareholder's behalf. A proxy form is enclosed with this Notice. The proxy or proxies do not need to be a shareholder of GB Energy. A shareholder that is a body corporate may in accordance with the Corporations Act appoint a representative to attend.

A shareholder entitled to attend and to cast two or more votes is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes able to be cast by the appointing shareholder.

The proxy form (and any power of attorney under which it is signed) must be received at the address below not later than 9.00am (Perth time) on 11 May 2011 (being 48 hours before the commencement of the meeting). Any proxy forms received after that time will not be valid for the meeting.

Completed proxy forms should be sent to:

By mail: GB Energy Limited, PO Box 6377, East Perth WA 6892  
By fax: (08) 9389 7871  
By email: [anna@gbenergy.com.au](mailto:anna@gbenergy.com.au)  
Custodian voting: For Intermediary Online subscribers only

## Explanatory Statement

This Explanatory Statement has been prepared to provide shareholders with material information to enable them to make an informed decision on the business to be conducted at the general meeting of GB Energy to be held at Level 1, 26 Eastbrook Terrace, East Perth WA 6004 on 13 May 2011 at 9.00am (Perth time).

The directors recommend shareholders read this Explanatory Statement in full before making any decision in relation to the resolutions.

### Transaction

#### Company background

GB Energy listed on ASX in June 2007. Its principal stated objectives were to identify commercial quantities of oil and gas by exploration and to pursue complimentary opportunities in the broad energy sector. In October 2007 GB Energy acquired uranium exploration licences in Slovakia. Over the next number of years and in the course of pursuing its objectives, GB Energy also involved itself in a number of other energy projects, including wave energy and oil and gas projects in the Republic of Gambia, New Zealand and Czech Republic.

In August 2010, GB Energy announced its re-focus on opportunities in the oil and gas sector in Australia.

#### Transaction background

As announced to ASX on 8 March 2011, GB Energy has entered into a conditional share sale agreement (**SSA**) with Cooper Energy Limited (**Cooper Energy**) to acquire the shares in Worrior (PPL 207) Pty Ltd (**Worrior PPL 207**) and interests in a number of exploration licences (**Transaction**).

Worrior PPL 207 is a wholly owned subsidiary of Cooper Energy and will immediately before completion of the SSA hold the following interests:

- 30% interest in Worrior oilfield PPL 207;
- 30% interest in PEL 93; and
- 25% interest in PEL 90 (Kiwi Sub Block).

As per the announcement on 8 March 2011, GB Energy will also enter into farmout agreements (including an option to enter a farmout agreement) with Cooper Energy to acquire:

- a 9.165% interest in PEL 100;
- a 20% interest in PEL 495; and
- an option to acquire 10% interest in PEL 110

#### (Farmouts).

The SSA is subject to completion of a capital raising and the satisfaction of a number of conditions.

The Farmouts are subject to the execution of the SSA but they are not subject to completion of the capital raising.

#### Structure of Transaction

The current structure of the transaction is:

- GB Energy to acquire the shares in Worrior PPL 207 from Cooper Energy pursuant to the SSA for consideration comprising:
  - \$16 million cash;
  - issue of \$0.5 million worth of GB Energy shares (and any attaching options or rights benefit or entitlements offered under the capital raising) to Cooper Energy;
  - production fee related to future output from PPL 207; and
  - success fee related to the future reserves calculation for PEL 90.

- GB Energy to enter into the Farmouts (including an option to farmout).
- GB Energy to raise up to \$21 million, with a minimum of \$18 million by the issue of new shares and options in GB Energy pursuant to a prospectus offer, which prospectus is expected to be lodged with ASIC during the week commencing 18 April 2011.

### **Directors of GB Energy after the Transaction**

There will be no immediate change to the directors of GB Energy after the Transaction and the current directors of GB Energy are expected to remain as directors. Some brief information on each of the current directors are set out below.

#### *Russell Barnett, Chairman and Non-executive Director*

Mr Russell Barnett has a Masters of Business Administration, Bachelor of Commerce, a Graduate Certificate in Mineral Economics and has over 15 years of experience in technology commercialisation innovation management, new venture creation and venture capital markets with a wide range of organisations throughout the Asia Pacific region. He is the principal and founder of Australian Venture Consultants Pty Ltd, a management consulting practice providing expertise in these areas to universities, research funding agencies and other innovation intensive organisations.

Mr Barnett is the chairman of the GB Energy Audit and Risk Management Committee. He was appointed as a non-executive director of GB Energy in October 2009.

#### *Andrew Andrejewskis, Managing Director*

Mr Andrew Andrejewskis is a geologist and has been involved in the oil and gas and resources industry for more than 43 years. He was previously the managing director of SAPEX Limited, an oil and gas exploration company which held 100% interests in seven onshore petroleum tenements in South Australia covering 75,000 sq km. SAPEX was listed on ASX in May 2007 (capitalised at \$14 million). In October 2008 SAPEX was merged into Linc Energy (at a value of \$104 million). Mr Andrejewskis was also director-general of the Department of Mines & Energy in South Australia and has previously held a number of senior executive and board positions in several companies. His experience includes technical, administration and management on projects in Australia, New Zealand, Far East Russia and Romania. Mr Andrejewskis is currently the non-executive chairman of Flinders Exploration Limited.

Mr Andrejewskis was appointed as managing director of GB Energy in August 2010.

#### *Gordon Hart, Director, Executive Director*

Mr Gordon Hart has over 30 years of experience in investment banking including stockbroking, mergers and acquisitions and corporate finance. Mr Hart is currently managing director of Venture Group Equities Pty Ltd, specialising in activities associated with the emerging resource and energy sectors. Activities include IPOs and other raisings, strategic corporate advice, mergers and acquisitions and project and business development. He is also a director of Convergent Minerals Ltd.

Mr Hart was appointed as an executive director of GB Energy in August 2010.

#### *Paul Young, Director, Non-executive Director*

Mr Paul Young is a founding executive director of Baron Partners Limited, a corporate advisory business which has been operating since 1987. Mr Young is Chairman of Tidewater Investment Limited, a director of Ambition Group Limited and Thomas & Coffey Limited. He is also a former director of SAPEX Limited.

Mr Young was appointed as a non-executive director of GB Energy in February 2011.

### **Key advantages, disadvantages and risks of the Transaction**

The key advantages of the Transaction are:

- the interest in the producing Worrior oilfield PPL 207 is expected to provide GB Energy with cash flow estimated at over \$3 million per annum;
- GB Energy will expand its portfolio of assets and diversify from being solely an exploration company;

- GB Energy will broaden its investor base and significantly increase its market capitalisation;
- GB Energy will acquire interests in prospective exploration acreage with an extensive prospect and lead portfolio to be tested; and
- GB Energy will be investing in the world-class and under-explored Cooper Basin, with high exploration success rates.

The key disadvantages and risks of the Transaction are:

- the cash flow estimates from the Worrior oilfield PPL 207 may prove to be less than presently estimated if production levels declined from present rates or production or oil prices declined from present levels;
- the resource estimates and production forecasts may not be met;
- GB Energy will increase its prospective cash commitments by entering into the Farmouts and will require additional funding in the future. If GB Energy fails to pay its commitments in the future, it may lose the right to those Farmouts; and
- as a result of its larger operations, GB Energy will increase its exposure to risks such as:
  - there is no assurance that money spent on exploration activities will result in discoveries and development prospects that will be economically viable;
  - minority interest risks because GB Energy will only hold minority interests and is not the joint venture operator. Therefore it does not control the approval of work programs and budgets;
  - fluctuation in oil and gas prices; and
  - national and local environmental laws and regulations that may impact on exploration, development and production activities.

### Timing of Transaction

The proposed indicative timetable for the Transaction, which is subject to change, is set out below:

Event	Date
Lodgement of prospectus with ASIC	w/c 18 April 2011
Opening date of offer	date of lodgement
Suspension of trading of GB Energy shares and options	13 May 2011
Extraordinary general meeting	13 May 2011
GB Energy advises ASX of approval of consolidation of capital GB Energy announces the results of the extraordinary general meeting	13 May 2011
Prospectus offer closing date	20 May 2011
Anticipated Record Date	23 May 2011
Anticipated date for consolidation of capital	24 May 2011
Anticipated date for allotment of new shares and options under prospectus	26 May 2011
Anticipated date for allotment of shares and options to COE pursuant to acquisition of Worrior (PPL 207) Pty Ltd Anticipated date for acquisition of Worrior (PPL 207) Pty Ltd completed	
Anticipated date for trading in GB Energy shares and options reinstated by ASX (subject to satisfaction of Chapters 1 and 2 of the ASX Listing Rules)	31 May 2011

GB Energy has sought consent from Cooper Energy under the SSA and the Farmouts to an extension of the date on which the condition precedent relating to the capital raising needs to be satisfied to 9 June 2011.

## **Consequences of the Transaction not proceeding**

The Transaction is dependent on the resolutions proposed being passed and the resolutions proposed are interdependent on each other being passed as follows:

- resolution 2 is dependent on resolution 1 being passed;
- resolution 3 is dependent on resolutions 1 and 2 being passed;
- resolution 4 is dependent on resolutions 1 and 2 being passed; and
- resolution 5 is dependent on resolution 4 being passed.

Accordingly, if resolution 1 is not passed all resolutions will fail and the Transaction will not proceed. Further, if resolution 4 is not passed then GB Energy will not be able to issue sufficient shares to raise the necessary funds to complete the acquisition under the SSA and the Transaction will not proceed.

Please see the relevant section of this Explanatory Statement on the relevant resolution for additional information on the resolutions' interdependency and the consequences if they are not passed.

If all resolutions are passed but the capital raising under the prospectus fails to reach minimum subscription of \$18 million by the closing date under the prospectus, then GB Energy will:

- return all application money received under the prospectus in accordance with the prospectus;
- not proceed with the acquisition of Worrior PPL 207 and the Transaction;
- advise ASX and announce to the market that the proposed change in activities will not proceed;
- not be required to comply with the relisting requirements under Chapters 1 and 2 of the ASX Listing Rules; and
- not proceed with the consolidation of its capital.

If the Transaction does not proceed then GB Energy, subject to ASX's discretion, expects trading in its securities to resume and that its operations and activities will continue in the same manner as they existed before the 3 March 2011 announcement.

## **Material terms under SSA**

The SSA is a conditional agreement with Cooper Energy under which GB Energy may, subject to the conditions outlined below, acquire the shares in Worrior PPL 207, a Cooper Energy wholly owned subsidiary, which will immediately before completion of the SSA hold interests in PPL 207, PEL 93 and PEL 90 Kiwi Block. The consideration for the shares in Worrior PPL 207 comprises:

- \$16 million cash (including a non-refundable deposit of \$200,000);
- issue \$0.5 million worth of GB Energy shares (and any attaching options or rights, benefits or entitlements offered under the capital raising) to Cooper Energy;
- production fee related to future output from PPL 207; and
- success fee related to the future reserves calculation for PEL 90.

The sale is subject to a number of conditions precedent which both GB Energy and Cooper Energy must satisfy before the share sale and purchase can occur. These conditions precedent include:

- GB Energy undertaking a capital raising during the first quarter of 2011 and raising a minimum amount of \$18 million by 9 May 2011 or a later date subject to Cooper Energy's consent;
- GB Energy and Cooper Energy entering into a number of farmout agreements (including an option to farmout) contemporaneously with the SSA;
- Cooper Energy and Worrior PPL 207 entering into all agreements necessary for the assets to be assigned to Worrior PPL 207 and obtaining all necessary approvals from the other joint venturers under the joint operating agreements being obtained; and
- ministerial approval.

If the conditions precedent are not satisfied by 9 May 2011, or for the capital raising condition a later date subject to Cooper Energy's consent, either GB Energy or Cooper Energy may terminate the SSA without liability except for any antecedent breaches and, in the case of GB Energy, forfeiture of the \$200,000 deposit.

GB Energy is also entitled to terminate the SSA if at any time before completion of the SSA, which is expected to be on or about 16 May 2011 or such later date if Cooper Energy agrees to an extension of the date on which the condition precedent relating to the capital raising needs to be satisfied, there is a material adverse change that affects the assets of Worrior PPL 207 or its operations. If any such event occurs Cooper Energy must inform GB Energy of the happening of the event.

Cooper Energy has given the following warranties for the benefit of GB Energy under the SSA:

- it is duly incorporated, is not insolvent and has power and authority to enter into the SSA;
- Worrior PPL 207 will, as at completion of the SSA, have good title to the interests in PPL 207, PEL 93 and PEL 90 Kiwi Block;
- Worrior PPL 207, as at completion of the SSA, has not committed any material breaches in relation to its obligations under PPL 207, PEL 93 and PEL 90 Kiwi Block or under any related joint venture document;
- there is no subsisting litigation or proceedings or any disputes or claims likely to give rise to such litigation or proceedings between Cooper Energy and any other persons affecting PPL 207, PEL 93 and PEL 90 Kiwi Block;
- all documents to which Worrior PPL 207 is a party and which attract stamp duty have, as at completion of the SSA, been duly and properly stamped; and
- it has, to the best of its knowledge, made all material data and information in its possession relating to PPL 207, PEL 93 and PEL 90 Kiwi Block available to GB Energy, and has not knowingly omitted from such data and information anything material to PPL 207, PEL 93 and PEL 90 Kiwi Block.

Any liability of Cooper Energy in respect of any breach of the above warranties or any other provision of the SSA is limited to \$1,000,000.

GB Energy has made the following warranties in relation to the SSA:

- it is duly incorporated, is not insolvent and has power and authority to enter into the SSA;
- it has sufficient funds or will have access to sufficient funds by completion of the SSA to perform its obligations under the SSA;
- it has properly conducted or will properly conduct all due diligence and verification and other steps in relation to the preparation of the prospectus to be used in the capital raising to ensure it is not misleading and deceptive; and
- the SSA does not conflict with or result in a breach of or default under any provision of the constitution of GB Energy or any material term or provision of any other agreement or deed to which it is a party or by which it is bound.

Under the SSA, Cooper Energy will not be liable (except in the circumstances of fraud) for any information it has given or omitted to give GB Energy during its due diligence investigations.

GB Energy is liable to pay all stamp duty assessable on the SSA.

On completion of the SSA, which is expected to be on or about 16 May 2011 or such later date if Cooper Energy agrees to an extension of the date on which the condition precedent relating to the capital raising needs to be satisfied, the directors of Worrior PPL 207 will resign and be replaced by the directors of GB Energy.

## **Material terms under Farmouts**

### **PEL 100 farmout agreement**

Cooper Energy's participating interest in PEL 100 is 19.165%. Under the PEL 100 farmout agreement, GB Energy may acquire from Cooper Energy a 9.165% participating interest in PEL 100.

The PEL 100 farmout agreement is conditional on:

- GB Energy undertaking a capital raising during the first quarter of 2011 and using its best endeavours to raise a minimum amount of \$18 million by 9 May 2011 or a later date subject to Cooper Energy's consent;
- GB Energy and Cooper Energy entering into the SSA and other farmout agreements;
- ministerial approval; and
- all necessary consents of the other joint venturers under the PEL 100 joint operating agreement.

If the above conditions are not satisfied by 9 May 2011, or for the capital raising condition a later date subject to Cooper Energy's consent, either GB Energy or Cooper Energy will be entitled to terminate the PEL 100 farmout agreement without liability except as to any antecedent breaches.

Following satisfaction of the above conditions, the assignment and transfer of part of Cooper Energy's participating interest in PEL 100 to GB Energy will be effective from 16 May 2011. In consideration for the assignment, GB Energy is required to pay Cooper Energy's obligations under the PEL 100 joint operating agreement. This is an ongoing obligation to fund exploration and includes the payment of:

- 19.165% of the well costs (costs incurred in relation to drilling the farmout well); and
- on and from the effective date, 9.165% of the present and future costs incurred under the PEL 100 work program.

These payments are due on and from the effective date.

If GB Energy fails to make any payments in relation to the PEL 100 farmout agreement as and when required, Cooper Energy will be entitled to terminate the PEL 100 farmout agreement. GB Energy has granted a power of attorney to Cooper Energy such that in these circumstances Cooper Energy will be able to reassign the interest in PEL 100 to Cooper Energy. Cooper Energy is also entitled to terminate the PEL 100 farmout agreement if GB Energy becomes insolvent.

### **PEL 495 farmout agreement**

Under the PEL 495 farmout agreement GB Energy may acquire Cooper Energy's 20% participating interest in PEL 495.

The PEL 495 farmout agreement is conditional on:

- GB Energy undertaking a capital raising during the first quarter of 2011 and using its best endeavours to raise a minimum amount of \$18 million by 9 May 2011 or a later date subject to Cooper Energy's consent;
- GB Energy and Cooper Energy entering into the SSA and other farmout agreements;
- ministerial approval; and
- all necessary consents of the other joint venturers under the PEL 495 joint operating agreement.

If the above conditions are not satisfied by 9 May 2011, or for the capital raising condition a later date subject to Cooper Energy's consent, either GB Energy or Cooper Energy will be entitled to terminate the PEL 495 farmout agreement without liability except as to any antecedent breaches.

Following satisfaction of the above conditions, the assignment and transfer of Cooper Energy's participating interest in PEL 495 to GB Energy will be effective from 16 May 2011. In consideration for the assignment, GB Energy is required to pay Cooper Energy's obligations under the PEL 495 joint operating agreement. This is an ongoing obligation to fund exploration, and includes the payment of:

- 40% of the well costs (costs incurred in relation to drilling the farmout well);
- on and from the effective date, 20% of the present and future costs incurred under the PEL 495 work program; and

- if the farmout well makes a discovery (as defined in the PEL 495 joint operating agreement), 40% of all costs incurred in acquiring and processing up to 150 sq/km of 3D seismic or such other work of equivalent value as nominated by Cooper Energy.

These payments are due on and from the effective date.

If GB Energy fails to make any payments in relation to the PEL 495 farmout agreement as and when required, Cooper Energy will be entitled to terminate the PEL 495 farmout agreement. GB Energy has granted a power of attorney to Cooper Energy such that in these circumstances Cooper Energy will be able to reassign the interest in PEL 495 to Cooper Energy. Cooper Energy is also entitled to terminate the PEL 495 farmout agreement if GB Energy becomes insolvent.

#### **PEL 110 farmout option agreement**

GB Energy has entered into a PEL 110 farmout option agreement with Cooper Energy under which Cooper Energy will grant GB Energy an option to enter into a PEL 110 farmout agreement.

Under the PEL 110 farmout option agreement, Cooper Energy has agreed to allow GB Energy to inspect and evaluate all seismic and other geological data in Cooper Energy's possession or control, which relates to the PEL 110 farmout agreement between Cooper Energy and Monitor Energy Limited for a period of 30 days. Upon expiry of the 30 day period, and subject to the satisfaction of the conditions precedent, Cooper Energy will grant GB Energy an option to enter into the PEL 110 farmout agreement to acquire Cooper Energy's 10% participating interest in PEL 110 (the PEL 110 farmout agreement will contain substantially the same terms as the PEL 100 farmout agreement and PEL 495 farmout agreement). The exercise period for the option is a period of five business days.

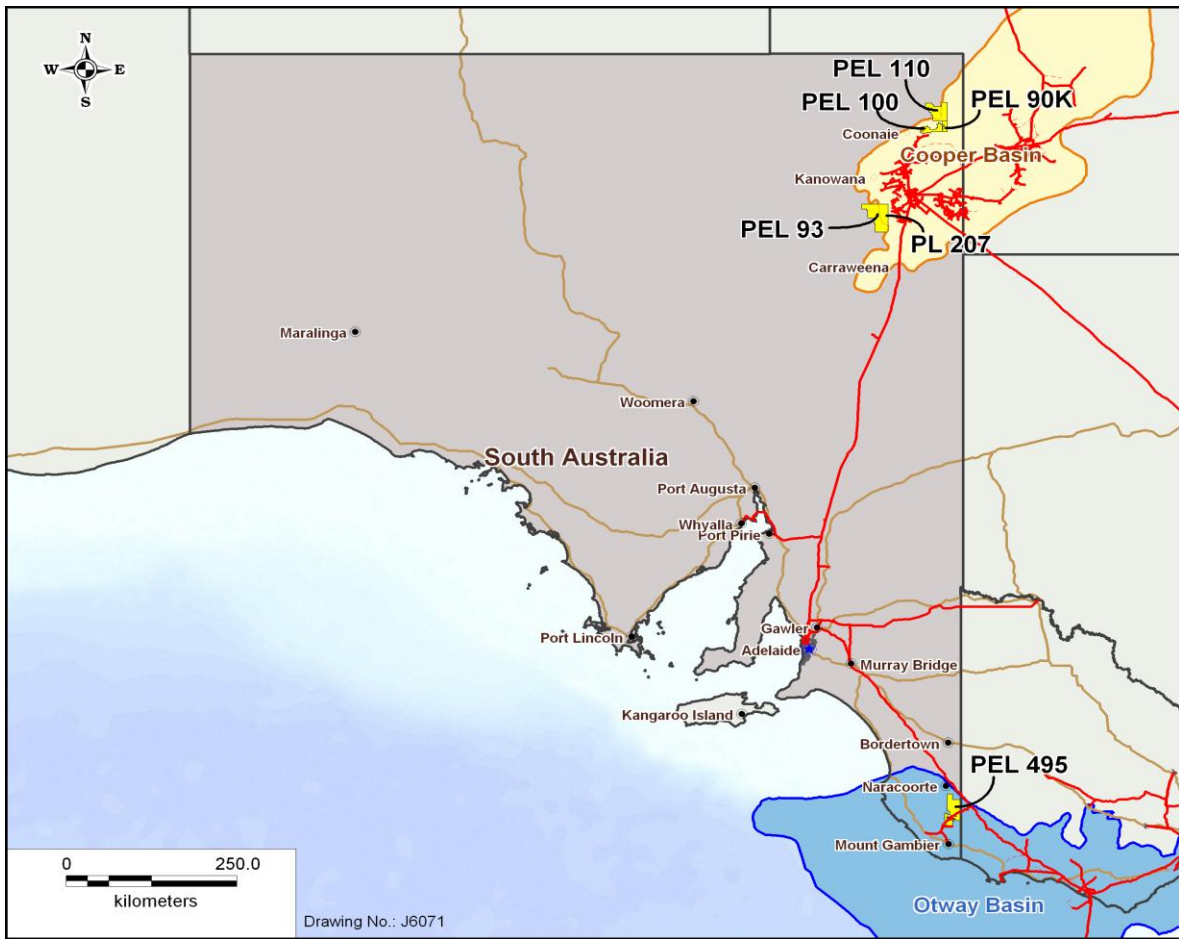
The conditions precedent include:

- GB Energy undertaking a capital raising during the first quarter of 2011 and using its best endeavours to raise a minimum amount of \$18 million by 9 May 2011 or a later date subject to Cooper Energy's consent;
- GB Energy and Cooper Energy entering into the SSA and other farmout agreements;
- ministerial approval; and
- all necessary consents of the other joint venturers under the PEL 110 joint operating agreement.

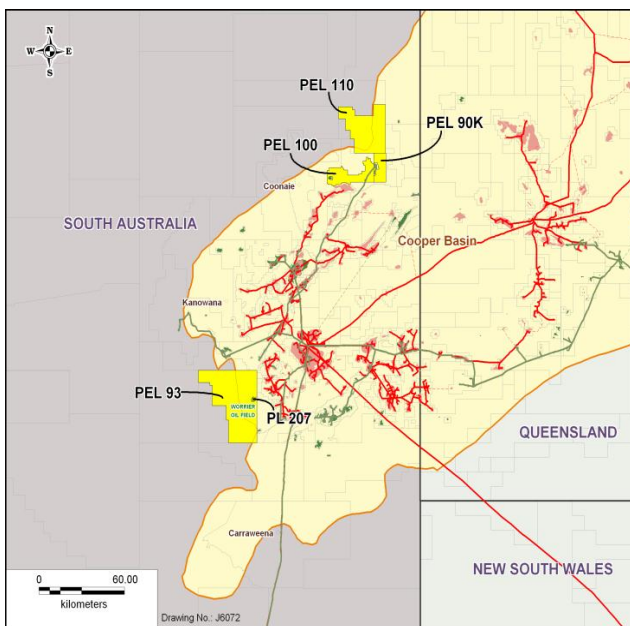
Cooper Energy is entitled to refuse to enter into the PEL 110 farmout agreement with GB Energy if at any time during the PEL 110 farmout option agreement, GB Energy:

- becomes insolvent;
- is in default under the PEL 110 farmout option agreement; or
- is in default under one or more of the other farmout agreements.

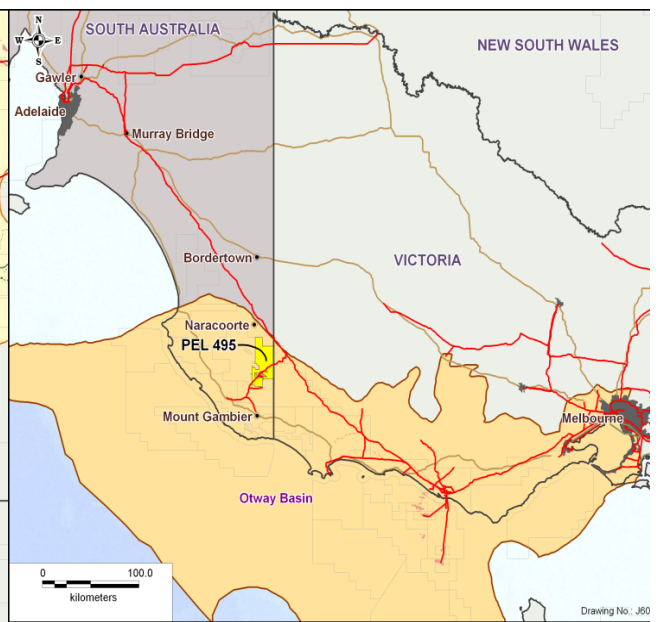
The locations of the assets the subject of the Transaction are shown in the following maps:



Location Map of proposed asset acquisitions.



Cooper Basin



Otway Basin

### **Worrior Oilfield PPL 207**

Stuart Petroleum Limited currently holds a 70% interest and is also the operator of the joint venture.

The Worrior oilfield is located in the Eromanga and Cooper Basins of South Australia. The tenement was granted on 4 November 2004 and the Worrior No 1 oil discovery occurred in 2002.

The Worrior oilfield is a multi-reservoir oilfield. To date the Worrior oilfield has produced approximately 3.3 million barrels of oil. Worrior's producing oilfields are in the McKinlay, Birkhead and Hutton formations.

A total of seven wells have been drilled in the Worrior oilfield with the most recent being Worrior 7 which was drilled in July 2010. Worrior 7 intersected six metres of oil pay in the McKinlay formation and four metres in the Birkhead formation.

The Worrior oilfield is currently producing about 500 barrels of oil per day (having regard to flood conditions) of which GB Energy's share will be approximately 150 barrels per day. Worrior's estimated remaining resource lies in the range of 1.8 million to 2.0 million barrels and on current trends the field has a life expectancy of at least another 10 years. Also, there is potential for increasing the reserves and production of this field via the testing of a number of connected reservoirs and the potential to drill an additional production well.

The historical expenditure spend on the field is approximately \$12 million.

### **PEL 93**

Stuart Petroleum Limited currently holds a 70% interest and is also the operator of the joint venture.

PEL 93 lies in the eastern portion of the Cooper and Eromanga Basins. The Worrior oilfield (described above) lies within the borders of the PEL 93 permit. The tenement was granted in November 2001, is now in its second five year term, but is currently suspended due to floods.

The tenement has seven exploration wells drilled (including the Worrior oil discovery in PPL 207 which was excised from PEL 93 in 2004). The tenement contains four oil prospects with an estimated prospectivity of 7.6 million barrels (OOIP, mean unrisksed), with 23 oil leads, five gas prospects with an estimated prospectivity of 52 billion cubic feet (OGIP, mean unrisksed), and four gas leads.

Assuming favorable weather conditions, GB Energy's intentions for the future work plan for PEL 93 involve the drilling of one of two prospects before November 2011. However, GB Energy is not the licence operator and the licence operator has not yet made a decision about the future work plan for PEL 93. If the licence operator determines to drill, GB Energy estimates the total cost of this work will be \$2.5 million.

The historical expenditure spend on the licence is greater than \$3 million.

### **PEL 90 (Kiwi Block)**

Stuart Petroleum Limited currently holds a 75% interest and is also the operator of the joint venture.

PEL 90 lies in the northeastern portion of the Cooper and Eromanga Basins. The tenement was granted in October 2001, is in its second five year term, but is currently suspended due to floods.

The tenement has had six exploration and three appraisal/development wells drilled. The Colonus Prospect has an estimated 4.1 million barrels (OOIP, mean unrisksed) plus gas. Further, the tenement contains three other leads/prospects for a combined prospectivity of 6 million barrels (OOIP, mean unrisksed), plus 30 billion cubic feet gas (OGIP, mean unrisksed).

One of these three prospects is planned for drilling in 2012 at an estimated cost of \$2.7 million.

The historical expenditure spend on the block is approximately \$1.3 million.

### **PEL 100**

Stuart Petroleum Limited currently holds 50% and is also the operator, with Sundance Energy Australia Limited holding 23.335%, Cooper Energy 19.165% (to be reduced to 10%), Senex Energy Limited (previously Victoria Petroleum NL) holding 5% and Liberty Petroleum Corporation holding 2.5%. GB Energy can earn a 9.165% interest in the tenement by funding 19.165% of the cost of a well to be drilled on the tenement.

The tenement was granted in March 2003, is now in its second five year term, but is suspended due to floods.

The tenement has had four exploration wells drilled for a total expenditure of \$3.4 million. The tenement has mapped eight oil prospects and 32 possible oil leads. The current PEL 100 work plan is to undertake a 281 square km 3D seismic survey at a cost of in excess of \$3 million, in conjunction with a 3D survey in the adjoining PEL 110. After completion of the 3D seismic survey, the operator is expected to select one or more drilling prospects to pursue. Due to recent flooding, the 3D seismic survey is likely to commence in 2012.

#### **PEL 110**

Cooper Energy currently holds 20% (to be reduced to 10%) and is also the operator, with Senex Energy Limited (previously Victoria Petroleum NL) holding 60% and Monitor Energy Limited earning 20% via seismic carry from Cooper Energy. GB Energy has an option to enter into a farmout agreement with Cooper Energy whereby GB Energy can earn a 10% interest in the tenement by funding 20% of the cost of a well to be drilled on the tenement.

The tenement was granted in February 2003, is now in its second term, but is currently suspended due to floods.

The tenement has two exploration wells drilled. The tenement has mapped 12 oil prospects and leads with estimates of mean recoverable oil ranging from 0.3 to 16.9 million barrels. The tenement will require 3D seismic to refine interpretation and select targets for further prospect drilling.

The 3D seismic is intended to involve conducting a 110 square km 3D seismic survey at a cost of approximately \$2.4 million. Due to recent flooding, the 3D seismic survey is likely to commence in late 2011 or early 2012. Following the completion of the 3D seismic survey, the data will be interpreted and prospect drilling will likely commence.

The historical expenditure spend on the licence is approximately \$2.1 million.

#### **PEL 495 (Otway Basin)**

Cooper Energy currently holds 100% and is also the operator, with a proposal for GB Energy to farm-in for 20%, Beach Energy Limited to farm-in for 35%, and Somerton Energy Limited farming-in for 15%.

PEL 495 lies in the South Australian part of the Otway Basin. This is an actively explored basin, with five producing gas fields and a number of oil shows in the wells to date. The tenement was granted in March 2009.

The tenement currently has mapped 12 prospects and leads for oil, condensate and gas.

The primary prospects are:

- Sawpit Updip – three target intervals; combined 5.7 million barrels potential recoverable; and
- Moreto – 4.9 million barrels potential recoverable.

The primary leads, which will require more definition by undertaking seismic surveys, are:

- Muscardin – 10.7 million barrels potential recoverable; and
- Ortega – 1.31 million barrels potential recoverable.

The tenement also has six follow up leads.

The future work plans for PEL 495 will involve drilling in Sawpit Updip in either the late 2011 or early 2012. The work plan cost estimate is approximately \$5 million.

**The information in this Explanatory Statement about recoverable hydrocarbons has been collated from publicly available information and information made available to GB Energy during due diligence inquiries, and has not been independently verified by GB Energy. GB Energy disclaims to the fullest extent permitted by law any responsibility for the accuracy or otherwise of the information relating to recoverable hydrocarbons.**

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## **Resolution 1 – Approval for change in scale of activities**

Resolution 1 seeks approval by GB Energy shareholders for a significant change in the scale of GB Energy's activities by the acquisition of Worrior PPL 207 under the SSA. The proposed acquisition of Worrior PPL 207, as outlined in this Explanatory Statement, constitutes a significant change in the scale of GB Energy's activities.

### **ASX Listing Rule 11.1**

ASX Listing Rule 11.1 requires that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of shareholders and must comply with any requirements of ASX in relation to the notice of meeting. ASX Listing Rule 11.1.3 provides that, if ASX requires, the entity must meet the re-listing requirements of Chapters 1 and 2 of the ASX Listing Rules.

The directors of GB Energy have determined that it is appropriate to seek shareholder approval for the purposes of ASX Listing Rule 11.1 to make a significant change to the scale of its activities by acquiring Worrior PPL 207 and ASX has determined that compliance with the re-listing requirements of Chapters 1 and 2 of the ASX Listing Rules will be required.

As part of the re-listing process, trading on GB Energy securities will be suspended from the day of the shareholders' meeting (assuming resolution 1 is passed) until ASX is satisfied that the requirements in Chapters 1 and 2 of the ASX Listing Rules have been met. Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- (a) a prospectus must be issued and lodged with ASIC;
- (b) GB Energy must satisfy the shareholder spread requirements relating to the minimum number of shareholders in GB Energy and the minimum value of the shareholdings of those shareholders;
- (c) GB Energy must satisfy the "profits test" or "assets test" as set out in ASX Listing Rule 1.3; and
- (d) the issue price or sale price of GB Energy's shares must be at least 20 cents and the exercise price of GB Energy's options must be at least 20 cents.

In order to meet the re-listing requirements, GB Energy will be issuing a prospectus for the issue of GB Energy shares and options (see resolution 4), has appointed a lead manager to manage the capital raising and to assist with meeting the necessary spread requirements and assets test and GB Energy is proposing to consolidate its capital (see resolution 2).

### **Unaudited Pro forma Consolidated Statement of Financial Position as at 31 December 2010**

The table below sets out the adjustments to arrive at the GB Energy Unaudited Pro forma Consolidated Statement of Financial Position as at 31 December 2010. The GB Energy Unaudited Pro forma Consolidated Statement of Financial Position has been prepared in accordance with the basis of preparation as disclosed below. The disclosure requirements of Australian Accounting Standards have not been complied with.

#### **Basis of preparation**

The GB Energy Unaudited Pro forma Consolidated Statement of Financial Position as at 31 December 2010 has been prepared in accordance with the recognition and measurements requirements of Australian Accounting Standards, except in respect to the pro forma adjustments.

The Unaudited Statement of Financial Position of GB Energy as at 31 December 2010 has been extracted from the unaudited financial statements of GB Energy for the half year ended 31 December 2010 prepared in accordance with GB Energy's accounting policies, as disclosed in Note 1 of GB Energy's 30 June 2010 annual report, which have been determined in accordance with Australian Accounting Standards.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2010	Notes	Unaudited Consolidated Statement of Financial Position \$000	Unaudited Pro forma  Minimum Subscription \$000	Unaudited Pro forma  Maximum Subscription \$000
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	<b>3</b>	1,888	1,188	3,988
Other receivables		20	20	20
		<b>1,908</b>	<b>1,208</b>	<b>4,008</b>
<b>NON-CURRENT ASSETS</b>				
Worrior oilfield production asset		-	16,000	16,000
Other SSA net asset acquired	<b>5</b>	-	500	500
Exploration and evaluation expenditure		588	588	588
Plant and equipment		10	10	10
		<b>598</b>	<b>17,098</b>	<b>17,098</b>
<b>TOTAL ASSETS</b>		<b>2,506</b>	<b>18,306</b>	<b>21,106</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(53)	(53)	(53)
<b>TOTAL LIABILITIES</b>		<b>(53)</b>	<b>(53)</b>	<b>(53)</b>
<b>NET ASSETS</b>		<b>2,453</b>	<b>18,253</b>	<b>21,053</b>
<b>SHAREHOLDERS' EQUITY</b>				
Issued capital	<b>4</b>	8,268	25,568	28,368
Reserves		(491)	(491)	(491)
Accumulated losses		(5,324)	(6,824)	(6,824)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,453</b>	<b>18,253</b>	<b>21,053</b>

The above Unaudited Pro forma Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

GB Energy's publicly disclosed audited financial statements for the year to 30 June 2010, GB Energy's publicly disclosed reviewed financial statements for the half-year to 31 December 2010, and GB Energy's quarterly cash flow statement for the three months to 30 September 2010 and the three months to 31 December 2010, are available in full on GB Energy's web-site [www.gbenergy.com.au](http://www.gbenergy.com.au).

## NOTES TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### Note 1 – Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Unaudited Pro forma Consolidated Statement of Financial Position are in accordance with GB Energy's accounting policies, as disclosed in Note 1 of GB Energy's 30 June 2010 annual report which have been determined in accordance with Australian Accounting Standards, except in respect of the pro forma adjustments.

### Note 2 – Assumptions in Compiling the Pro forma Consolidated Statements of Financial Position

The Unaudited Pro forma Consolidated Statement of Financial Position of GB Energy reflects the following transactions as if they had taken place as at 31 December 2010:

- the consolidation of GB Energy's share capital on a one-for-six basis;
- the issue under the prospectus offer of a minimum of 75,000,000 shares at \$0.24 to raise \$18,000,000 (minimum subscription), up to a maximum of 87,500,000 shares at \$0.24 to raise \$21,000,000 (maximum subscription). For every two shares issued, applicants will be issued one option over an unissued share for no additional consideration on terms set out in Note 4 to the financial statements in this Explanatory Statement;
- the payment of expenses associated with the prospectus offer, estimated to be \$1.2 million for the minimum subscription and \$1.4 million for the maximum subscription and recognised in equity;
- the issue to Cooper Energy of 2,083,333 shares and 1,041,666 options, being the scrip component of the purchase price under the SSA;
- the payment to Cooper Energy of the cash component of the consideration under the SSA, being \$16 million; and
- the payment of expenses associated with the Transaction, including stamp duty, of approximately \$1.5 million which is included in accumulated losses.

### Note 3 – Cash

	Actual 31 Dec 2010 \$000	Unaudited Pro Forma 31 Dec 2010 \$000
<b>Movements in cash – minimum subscription</b>		
Balance as at 31 Dec 2010	1,888	1,888
75,000,000 shares issued at \$0.24 reflecting the prospectus offer		18,000
SSA - cash component		(16,000)
Expenses of the prospectus offer		(1,200)
Costs in relation to the Transaction (including stamp duty)		(1,500)
<b>Pro Forma at 31 Dec 2010</b>		<b>1,188</b>
<b>Movements in cash – maximum subscription</b>		
Balance as at 31 Dec 2010	1,888	1,888
87,500,000 shares issued at \$0.24 reflecting the prospectus offer		21,000
SSA – cash component		(16,000)
Expenses of the prospectus offer		(1,400)
Costs in relation to the Transaction (including stamp duty)		(1,500)
<b>Pro Forma at 31 Dec 2010</b>		<b>3,988</b>

## Note 4 – Contributed Equity

Fully paid ordinary shares	Unaudited Pro Forma 31 Dec 2010 \$	Unaudited Pro Forma 31 Dec 2010 Number
Shares on issue 30 June 2010	7,127,520	124,062,770
Shares issued during the 6 months to 31 December 2010:		
- placement at 2 cents	1,200,000	60,000,000
- issue costs	(60,000)	
Actual at 31 December 2010	8,267,520	184,062,770
Shares issued since 31 December 2010*	-	925,000
Pro forma pre-consolidation	-	184,987,770
Pro forma consolidation on 1:6 basis		30,831,295*
Minimum subscription		
- shares issued reflecting the prospectus offer	18,000,000	75,000,000
- shares issued to Cooper Energy (SSA)	500,000	2,083,333
- expenses of the prospectus offer	(1,200,000)	
Pro forma at 31 December 2010	25,567,520	107,914,628
Maximum subscription		
- shares issued reflecting the prospectus offer	21,000,000	87,500,000
- shares issued to Cooper Energy (SSA)	500,000	2,083,333
- expenses of the prospectus offer	(1,400,000)	
Pro Forma at 31 December 2010	28,367,520	120,414,628

\* as a result of Options exercised

\*\* Subject to rounding when individual shareholdings are consolidated.

## Options

GB Energy currently has on issue 173,169,569 options\* over unissued shares. These have various exercise prices and expiry dates as set out in the table below.

Expiry Date	Exercise Price	Number	Status
29 Jul 2011	3.5 cents	120,795,385	listed
30 Sep 2011	20 cents	47,873,184	listed
15 Dec 2012	10 cents	2,500,000	unlisted
15 Dec 2013	15 cents	1,000,000	unlisted
15 Dec 2014	20 cents	1,000,000	unlisted
		<b>173,169,569</b>	

\* 1,000,000 options exercisable at \$0.10 with expiry date of 12 April 2014 and 1,000,000 options exercisable at \$0.05 with expiry date of 12 October 2013 were cancelled as announced to the ASX on 10 March 2011.

Subject to shareholder approval, the options will be consolidated on a one for six basis at the same time as the shares are consolidated. The exercise price of each option will be increased by a factor of six. Accordingly, on a post-consolidation basis option terms would be as follows:

Expiry Date	Exercise Price	Number*	Status
29 Jul 2011	21 cents	20,132,731	listed
30 Sep 2011	\$1.20	7,978,864	listed
15 Dec 2012	60 cents	416,667	unlisted
15 Dec 2013	90 cents	166,667	unlisted
15 Dec 2014	\$1.20	166,667	unlisted
		<b>28,861,595</b>	

\* Subject to rounding when individual option holdings are consolidated.

As part of the offer under the prospectus successful applicants for new shares will be issued with one option over an unissued share for no additional consideration for every two shares issued. These options will be issued on the following terms:

- (a) each option entitles the holder to one share;
- (b) the options are exercisable at any time before 5pm WST on 30 November 2013 (**Expiry Date**);
- (c) the exercise price of the options is \$0.36 per option;
- (d) the options are freely transferable;
- (e) application will be made to ASX for the quotation of the options;
- (f) GB Energy will provide to each option holder a notice that is to be completed when exercising the options (**Notice of Exercise**). The options may be exercised wholly or in part by completing the Notice of Exercise and delivering it together with payment to the secretary of GB Energy to be received any time before the Expiry Date. GB Energy will process all relevant documents received at the end of every calendar month;
- (g) on the exercise of an option and receipt of all relevant documents and payment, the holder in accordance with paragraph (e) will be allotted and issued a share ranking pari passu with the then issued shares;
- (h) there will be no participating rights or entitlements inherent in the options and the holders will not be entitled to participate in new issues of capital which may be offered to shareholders during the currency of the options. However, GB Energy will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least seven business days after the issue is announced. This will give option holders the opportunity (where available) to exercise their options prior to the date for determining entitlements to participate in any such issue;
- (i) if there is a bonus issue (**Bonus Issue**) to shareholders, the number of shares over which an option is exercisable will be increased by the number of shares which the holder would have received if the option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). The Bonus Shares must be paid up by GB Energy out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other shares on issue as at the date of issue of the Bonus Shares;
- (j) if any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of GB Energy before the Expiry Date occurs, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules;
- (k) if GB Energy makes a pro rata issue of securities, the exercise price of the options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.

Options that will be issued under the prospectus offer on the basis of one option for every two shares issued will have the following profile (at maximum subscription):

Expiry Date	Exercise Price	Number	Status
30 November 2013	36 cents	43,750,000	listed

Options that will be issued to Cooper Energy as part of the consideration for the Transaction will be issued on the basis of one option for every two shares issued and will have the following profile (at maximum subscription):

Expiry Date	Exercise Price	Number	Status
30 November 2013	36 cents	1,041,666	listed

Note: options not exercised by 30 November 2013 will automatically expire.

At maximum subscription, together with options issued to Cooper Energy under the SSA, there would be 44,791,666 new options on issue, and at minimum subscription, together with options issued to Cooper Energy under the SSA, there would be 38,541,666 new options on issue.

#### Note 5 – SSA net assets acquired

In accordance with the SSA GB Energy will acquire the shares in Worrior PPL 207 from Cooper Energy for the following consideration:

	Notes	\$000
Cash		16,000
Shares and options in GB Energy	A	500
Purchase consideration	B & C	16,500

- A. The number of shares issued will be determined based on an issue price of \$0.24 per share and the number of options issued will be on the basis of one option for every two shares issued.
- B. AASB 3; Business Combinations requires that purchase consideration be allocated to identifiable assets and liabilities based on their fair values. Fair value assessments have not been completed in respect of identifiable assets, liabilities and contingent liabilities being acquired by GB Energy. For the purposes of the unaudited pro forma consolidated statement of financial position, management have estimated the value of the Worrior Oilfield Production Asset to be \$16 million. This asset will be amortised over the life of the well based on units of production, which is estimated to be 10 years. The balance of the purchase consideration has been recorded in the unaudited pro forma consolidated statement of financial position as Other SSA net assets acquired. The fair value of the Worrior Oilfield Production Asset recorded in the unaudited pro forma consolidated statement of financial position is an estimate only and may change once a full fair value assessment has been completed. Other assets and liabilities that may be recognised once fair value assessments occur may include; exploration properties, provision for rehabilitation costs, working capital assets and liabilities and deferred tax.
- C. Contingent consideration may result from PEL 90 success fee and PPL 207 production fee. The fair value of the contingent consideration has been assumed to be nil on the basis that the directors believe it will be immaterial. Any value attributed to contingent consideration will increase purchase consideration.
- D. Estimated costs of \$1.5 million are included in accumulated losses in accordance with the requirements of AASB 3: Business Combinations.

## Note 6 – Contingencies

### (a) Contingent liabilities

If shareholders approve the resolutions in this Notice and the prospectus offer is successful, GB Energy is committed to complete the acquisition under the SSA which includes the payment to Cooper Energy of a cash sum totalling \$16 million.

If the prospectus offer is successful, fees will be payable to ASX and contingency fees will be payable to GB Energy's lead manager and other brokers, its corporate adviser and its agent for the acquisition.

In the ordinary course of operations, whether or not the prospectus offer is successful or the acquisition under the SSA is completed, GB Energy is committed to spend in the future two years an amount on exploration expenditure of up to \$4,705,000.

There are no other contingent liabilities as at the date of this Notice.

### (b) Contingent assets

The entity has no contingent assets to report as at the date of this Notice.

## Note 7 – Events occurring after the balance sheet date of 31 December 2010

Other than as outlined in this Notice, no matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect:

- GB Energy's operations in future financial years; or
- the results of those operations in future financial years; or
- GB Energy's state of affairs in future financial years.

## Note 8 – Exploration Expenditure Commitments

	Actual 31 Dec 2010 \$000
GB Energy is required to meet minimum committed expenditure requirements to maintain current rights of tenure to exploration licences. These obligations may be subject to re-negotiation, may be farmed out or may be relinquished and have not been provided for in the statement of financial position, and are due as follows:	
Within 1 year	630 (up to June 2011 only)
1 year or longer, but not longer than 5 years	
Longer than 5 years	

\* These figures may change within this period due to weather conditions and the availability of oil rigs. Success in exploration may also result in an increase in expenditure.

## Capital structure and net assets table

The share capital structure and net assets of GB Energy following completion of the transaction (assuming maximum subscription under the prospectus offer) would be as follows:

	Before Transaction		After Transaction
	(pre-consolidation of capital)	(post-consolidation of capital)	(post-consolidation of capital)
Number of shares on issue (rounded)	185m	30.8m	120.4m <sup>(1)</sup>
Market capitalisation	\$7.4m <sup>(2)</sup>	\$7.4m	\$28.9m <sup>(3)</sup>
Net assets	\$2.5m <sup>(4)</sup>	\$2.5m <sup>(4)</sup>	\$21.1m <sup>(5)</sup>

### Notes

1. 30.8 million shares plus 2.1 million shares issued to Cooper Energy plus 87.5 million shares reflecting prospectus offer.
2. 185 million shares x \$0.04 each (the approximate volume weighted average trading price in the five trading days prior to finalisation of this document)
3. 120.4 million shares at \$0.24 cents each.
4. As at 31 December 2010, based on unaudited financial statements.
5. Being December 2010 net assets plus \$21.5 million new equity less costs of \$2.9 million.
6. The above table does not provide for any outstanding options or options to be issued pursuant to the prospectus.

## Resolution 2 – Consolidation of capital

Resolution 2 seeks shareholder approval to consolidate the number of shares and options on issue on a one for six basis (**Consolidation**). The Consolidation is subject to the passing of resolution 1 and GB Energy receiving applications for shares exceeding the minimum subscription amount under the prospectus referred to in resolution 4 by the closing date of the prospectus (as may be varied in accordance with the prospectus).

The purpose of the Consolidation is to implement a more appropriate capital structure for GB Energy going forward and to enable GB Energy to satisfy Chapters 1 and 2 of the ASX Listing Rules, in particular ASX Listing Rule 1.1 condition 11, and to obtain re-quotations of its shares on ASX. Please refer to the section of this Explanatory Statement in relation to resolution 1 for additional information.

As the raising of the minimum subscription under the prospectus is one of the conditions under the SSA, if that is not met the proposed change in scale of GB Energy's activities will not proceed and the relisting requirements (including the Consolidation) would not need to be satisfied.

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

### ASX Listing Rule 7.20

ASX Listing Rule 7.20 provides that a company, proposing to reorganise its capital must advise equity security holders in writing of the following:

- (a) the effect of the proposal on the number of securities and the amount unpaid (if any) on the securities;
- (b) the proposed treatment of any fractional entitlements arising from the reorganisation; and
- (c) the proposed treatment of any convertible securities on issue.

In addition, under ASX Listing Rule 7.22.1, a company proposing to reorganise its capital must consolidate the number of options on issue in the same ratio as the ordinary securities and the exercise price must be amended in inverse proportion to the ratio.

The Notice provides notice to shareholders and contains the information required by ASX Listing Rule 7.20. The Consolidation has been structured to satisfy ASX Listing Rule 7.22.1.

### **Fractional entitlements and taxation**

Not all shareholders and optionholders will hold that number of shares and options which can be evenly divided by six. Where a fractional entitlement occurs, the directors will round that fraction up to the nearest whole share or option, as the case may be.

It is not considered that any taxation implications will exist for shareholders or optionholders arising from the Consolidation. However, shareholders and optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither GB Energy nor the directors (nor GB Energy's advisers) accept any responsibility for the individual taxation implications arising from the Consolidation.

### **Holding statements and option certificates**

From the date of the Consolidation (assuming that the minimum subscription under the prospectus is satisfied), expected to be on 24 May 2011, all holding statements for shares and all certificates for options will cease to have any effect, except as evidence of entitlement to a certain number of shares or options on a post Consolidation basis. After the Consolidation becomes effective, GB Energy will arrange for new holding statements for shares to be issued to shareholders and new certificates for options to be issued to optionholders. It is the responsibility of each shareholder and optionholder to check the number of shares and options held before disposal or exercise (as the case may be).

### **Effect on share capital structure**

The effect of the Consolidation on the share capital structure of GB Energy is set out in the table titled "Capital structure and net assets table" in the section of this Explanatory Statement in relation to resolution 1.

### **Resolution dependent on Resolution 1**

If resolution 1 is not passed, the Consolidation will not proceed.

### **Consolidation dependent on applications for at least the minimum subscription being received**

If applications for shares at least at the minimum subscription amount under the prospectus offer are not received by the closing date of the prospectus (which could be varied in accordance with the prospectus), the Consolidation will not proceed. As outlined above, as one of the conditions for the acquisition under the SSA would not have been met, no change in scale of GB Energy's activities under the SSA will occur and the relisting requirements (including the Consolidation) would not need to be satisfied.

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## **Resolution 3 – Approval for issue of shares and options to Cooper Energy Limited**

GB Energy has agreed under the SSA to issue \$0.5 million worth of GB Energy shares, which equates on a post-consolidation basis to a total of 2,083,333 shares to Cooper Energy, in part consideration for the acquisition of Worrior PPL 207. As part of the SSA, GB Energy will also issue 1,041,666 options on the same terms as the options described in Note 4 to the financial statements in this Explanatory Statement to Cooper Energy.

Resolution 3 seeks shareholder approval under ASX Listing Rule 7.1 for the issue of those GB Energy shares and options to Cooper Energy.

### **ASX Listing Rule 7.1**

ASX Listing Rule 7.1 stipulates that an entity must not, subject to specified exemptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

An issue of securities in excess of the 15% capacity is not prohibited under ASX Listing Rule 7.1 if it is approved by holders of ordinary securities in a general meeting and the notice of the meeting sets out the matters specified in ASX Listing Rule 7.3.

Resolution 3, if passed, will allow the directors of GB Energy to issue 2,083,333 shares and 1,041,666 options to Cooper Energy, as part consideration for the acquisition of the Worrior PPL 207 during a period of three months after the general meeting, without using GB Energy's 15% capacity.

For the purpose of ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue to Cooper Energy:

- (a) 2,083,333 shares and 1,041,666 options will be issued to Cooper Energy pursuant to the SSA;
- (b) the shares and options will be issued as part consideration for the acquisition of Worrior PPL 207 in accordance with the terms of the SSA on the basis of \$0.24 per share;
- (c) the shares and options are expected to be issued within one month after the date of the general meeting, but in any event will be issued no later than three months after the date of the general meeting;
- (d) the shares issued will be fully paid ordinary shares in the capital of GB Energy on the same terms and conditions as the existing GB Energy shares then on issue;
- (e) the options issued will be over fully paid unissued ordinary shares in the capital of GB Energy on the terms set out in Note 4 to the financial statements in this Explanatory Statement;
- (f) no funds will be raised from the issue of the shares and the options, as they are being issued in part consideration for the acquisition of Worrior PPL 207 pursuant to the SSA;
- (g) the allotment of the shares and options will occur on the same date as their issue;

GB Energy will apply to ASX for the shares and options the subject of this resolution to be quoted on ASX.

### **Restricted Securities**

The shares and options to be issued to Cooper Energy may be subject to escrow in accordance with the ASX Listing Rules. ASX may in its absolute discretion impose an escrow for a period of up to 24 months from the date of the issue of the shares and options to Cooper Energy.

### **Resolution dependent on Resolutions 1 and 2**

If either resolution 1 or resolution 2 is not passed, GB Energy will not proceed with the issue of shares and options to Cooper Energy.

However, if resolutions 1 and 2 are passed but this resolution 3 is not passed, GB Energy will still complete the issue of the shares and options to Cooper Energy as part consideration pursuant to the SSA within its 15% capacity as provided under ASX Listing Rule 7.1, but that the issue of those shares and options will have the effect of reducing that 15% capacity for the issue of equity securities in the future without shareholder approval.

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## **Resolution 4 – Approval for issue of shares and options under prospectus**

Resolution 4 seeks shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of up to 87.5 million shares and 43.75 million options under the prospectus, primarily to raise funds to acquire Worrior PPL 207, as outlined in the section titled "Transaction" in this Explanatory Statement.

### **Listing Rule 7.1**

ASX Listing Rule 7.1 provides for a 15% limit on the issue of securities in a 12 month period, but that restriction would not apply to an issue where the entity has the prior approval of shareholders in a general meeting.

Resolution 4, if passed, will allow the directors of GB Energy to issue up to 87.5 million shares and 43.75 million options under the prospectus to raise the necessary funds to enable GB Energy to acquire Worrior PPL 207 pursuant to the SSA, without breaching the Listing Rule 7.1 15% capacity. The options will be issued for no additional consideration.

As outlined in Note 4 to the financial statements in this Explanatory Statement, the options are issued for no additional consideration on the basis that one option will be issued for every two shares issued.

For the purpose of ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of shares and options under the prospectus:

- (a) up to 87.5 million shares will be issued on the date specified in the prospectus, which is expected to be within one month after the date of the general meeting, but in any event will be no later than three months after the date of the general meeting;
- (b) the issue price for each share will be \$0.24;
- (c) up to 43.75 million options with an exercise price of \$0.36 and an expiry date of 30 November 2013, and on the terms described in Note 4 to the financial statements in this Explanatory Statement will be issued for no additional consideration on the date specified in the prospectus, which is expected to be within one month after the date of the general meeting, but in any event will be no later than three months after the date of the general meeting;
- (d) the shares and options will be issued to successful applicants under the prospectus;
- (e) all shares issued under the prospectus are for fully paid ordinary shares in the capital of GB Energy on the same terms and conditions as the existing GB Energy shares then on issue;
- (f) all options issued are over fully paid unissued ordinary shares in the capital of GB Energy on the terms described in Note 4 to the financial statements in this Explanatory Statement;
- (g) funds raised under the prospectus will be used as part consideration for the acquisition of Worrior PPL 207 under the SSA and for the purposes as outlined in the prospectus;
- (h) the allotment of the shares and options will occur on the same date as their issue;

GB Energy will apply to ASX for the shares and options the subject of this resolution to be quoted on ASX.

For the purpose of Listing Rule 7.3.8, GB Energy will offer nine million shares, being over 10% of the shares the subject of this resolution, to shareholders of GB Energy under a priority offer as described in the prospectus for the issue. Further, GB Energy will limit the number of shares it issues under the prospectus to a shareholder to the higher of:

- 5% of all the shares being offered under the priority offer; and
- the number the shareholder would be entitled to under a pro rata issue of all those shares.

Attaching options on a one option issued for every two shares issued basis will also apply to shares under the priority offer.

#### **Resolution 4 dependent on Resolutions 1 and 2**

If either resolution 1 or resolution 2 is not passed, GB Energy will not proceed with the issue of shares and options under the prospectus.

If resolutions 1 and 2 are passed but this resolution 4 is not passed, then GB Energy will not be able to issue sufficient shares, to raise the necessary funds to complete the acquisition of Worrior PPL 207 pursuant to the SSA and the acquisition of the Worrior PPL 207 will not proceed. However, the Farmouts will proceed, but GB Energy may not have the sufficient working capital to fund expenditure commitments under the Farmouts.

#### **Resolution 5 – Approval for participation by directors of GB Energy in the share and option issue**

Resolution 5 seeks shareholder approval to allow directors of GB Energy, their nominees and their associates, being related parties to GB Energy to participate in the issue of shares and options under the prospectus, as contemplated by resolution 4.

#### **ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exemption in the ASX Listing Rule applies.

The directors of GB Energy, their nominees and their associates are related parties of GB Energy. Consequently, shareholder approval for participation in the issue of shares and options under the prospectus is required for all directors of GB Energy, their nominees and their associates pursuant to ASX Listing Rule 10.11.

For the purpose of ASX Listing Rule 10.13, the following information is provided:

- (a) the related parties to whom shares may be issued under the prospectus are the directors of GB Energy, being Russell Barnett, Andrew Andrejewskis, Gordon Hart and Paul Young, their nominees and their associates;
- (b) the maximum number of shares and options that may potentially be issued to the directors of GB Energy, their nominees and their associates under the prospectus, subject to applications received by GB Energy from them, is 87.5 million, reflecting the maximum number of shares offered under the prospectus;
- (c) the issue price for each share will be \$0.24, being the issue price specified under the prospectus;
- (d) the maximum number of options that may potentially be issued to the directors of GB Energy, their nominees and their associates under the prospectus, subject to applications received by GB Energy from them, is 43.75 million (on the same terms as noted in regard to resolution 4), reflecting the maximum number of options offered (on a one option for two shares issued basis) under the prospectus;
- (e) all shares issued will be fully paid ordinary shares in the capital of GB Energy on the same terms and conditions as the existing GBX shares then on issue;
- (f) all options issued will be over fully paid unissued ordinary shares in the capital of GB Energy on the terms outlined in Note 4 to the financial statements in this Explanatory Statement;
- (g) all directors of GB Energy, their nominees and their associates are able to participate;
- (h) the shares and options will be issued no later than one month after the date of the general meeting;
- (i) the funds raised from the shares issued to the directors of GB Energy, their nominees and their associates under the prospectus will be used in the same manner as funds raised under the prospectus and as set out in this Explanatory Statement;

**Resolution 5 dependent on Resolution 4**

If resolution 4 is not passed, then GB Energy will not proceed with the issue of shares and options under the prospectus and the passing of resolution 5 will not be relevant. However, the Farmouts will proceed, but GB Energy may not have the sufficient working capital to fund expenditure commitments under the Farmouts.

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# PROXY FORM

**APPOINTMENT OF PROXY**  
**GB Energy Limited (ACN 118 758 946)**

I/We   
of   
being a member of GB Energy Limited entitled to attend and vote at the general meeting  
appoint   
**Name of Proxy**

or failing the person so named or, if no person is named, the chairman of the meeting or the chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the general meeting to be held at Level 1, 26 Eastbrook Terrace, East Perth, Western Australia 6004 on 13 May 2011 at 9am (WST) and at any adjournment thereof.

**Voting on Business of the General Meeting**

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval for change in scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Consolidation of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval for issue of shares and options to Cooper Energy Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval for issue of shares and options under prospectus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval for participation by directors of GB Energy in the share and option issue under prospectus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box. By marking this box, you acknowledge that the chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and that the votes cast by the chair of the meeting for such a resolution other than as proxy holder will be disregarded because of that interest. **The chair intends to vote any such undirected proxies in favour of the resolution.** If you do not mark this box, and you have not directed your proxy how to vote, the chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_ %

Please return this proxy form to the Company Secretary, GB Energy Limited, PO Box 6377, East Perth, Western Australia 6892 or by fax to (08) 9389 7871 or by email to [anna@gbenergy.com.au](mailto:anna@gbenergy.com.au) by 9am (Perth time) on 11 May 2011.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

**By:**

**Individuals and joint holders**

**Companies (affix common seal if appropriate)**

**Signature**

**Director**

**Signature**

**Director/Secretary**

**Signature**

**Sole Director and Sole Secretary**

**GB Energy Limited**  
**ACN 118 758 946**

**INSTRUCTIONS FOR COMPLETING APPOINTMENT OF PROXY FORM**

1. In accordance with section 249L of the Corporations Act, a shareholder of GB Energy who is entitled to attend and cast two or more votes at a general meeting of shareholders is entitled to appoint two proxies. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of GB Energy. In the case of joint holders, all must sign.
3. A director of a corporate shareholder can sign jointly with another director or a company secretary. A sole director of a corporate shareholder who is also a sole company secretary can sign. A sole director of a corporate shareholder without a company secretary can also sign. Please indicate the office held by signing in the appropriate place.
4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in the same manner as this proxy.
6. In accordance with section 250BA of the Corporations Act the Company specifies the following for the purposes of receipt of proxy appointments:

Mail: GB Energy Limited, PO Box 6377, East Perth WA 6872

Fax Number: +61 8 9389 7871

Email: [anna@gbenergy.com.au](mailto:anna@gbenergy.com.au)

by no later than 48 hours prior to the time of commencement of the meeting.

Proxy forms received later than this time will be invalid.