

MONITOR ENERGY LIMITED
ABN 25 009 121 644

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata renounceable entitlement issue of one (1) Share for every one (1) Share held by Shareholders at an issue price of \$0.002 per Share to raise approximately \$3,115,391 (**Entitlement Issue**).

The Entitlement Issue is fully underwritten by Patersons Securities Limited (AFSL 239052). Refer to Section 7.2 for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES*

Lodgement of Prospectus and Appendix 3B with ASIC	22 September 2009
Notice sent to Shareholders	24 September 2009
Ex Date – rights trading commences	25 September 2009
Record Date for determining Shareholder entitlements	1 October 2009
Prospectus despatched to Shareholders	6 October 2009
Rights trading ceases	13 October 2009
Closing Date of Offer	20 October 2009
Notify ASX of under-subscriptions	22 October 2009
Despatch date/Shares entered into shareholders security holdings	28 October 2009

* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days prior notice.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers.

This Prospectus is dated 22 September 2009 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is that date which is 13 months after the date of this Prospectus (**Expiry Date**). No Securities will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

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

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian or New Zealand resident and must only access the Prospectus from within Australia or New Zealand.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

2. CORPORATE DIRECTORY

Directors

Scott Spencer
Non-Executive Chairman

Jon Roestenburg
Managing Director

Mark Gwynne
Executive Director

Chief Financial Officer

Richard Aden

Company Secretary

Stephen Brockhurst

Registered Office

35 Richardson Street
WEST PERTH WA 6005

Telephone: (08) 9211 1555

Facsimile: (08) 9211 1500

Underwriter

Patersons Securities Limited
Level 23, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Share Registry*

Advanced Share Registry Services Pty Limited
150 Stirling Highway
NEDLANDS WA 6009

Telephone: (08) 9389 8033

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Building
16 Milligan Street
PERTH WA 6000

Auditor*

Stantons International
Level 1
1 Havelock Street
WEST PERTH WA 6005

*This party has been included for information purposes only. It has not been involved in the preparation of this Prospectus.

3. DETAILS OF THE OFFER

3.1 Offer

By this Prospectus, the Company offers for subscription approximately 1,557,695,704 new Shares pursuant to a pro-rata renounceable entitlement issue to Shareholders of one (1) new Share for every one (1) Share held on the Record Date at an issue price of \$0.002 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 1,557,695,704. The Offer, if successful, will raise approximately \$3,115,391. The purpose of the Offer and the use of funds raised are set out in Section 4 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Offer. The Company currently has 1,490,125,130 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Offer.

3.2 Rights Trading

Entitlements to Shares pursuant to the Offer are renounceable and accordingly, rights will be traded on ASX. Details on how to sell your rights are set out in Section 3.3 below.

3.3 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at \$0.002 per Share);
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Alternatively, you can trade your Entitlement rights as follows:

- (a) to sell any or all of your Entitlement you will need to instruct a stockbroker to sell the Entitlement rights which you wish to renounce. If you wish to do so you must instruct your stockbroker by completing the panel headed "Instructions to your Stockbroker" on the back of the Entitlement and Acceptance Form and lodge that form with your stockbroker. Your stockbroker must sell those rights before the rights trading ceases; or
- (b) if you wish to transfer all or part of your rights to another person other than on ASX you must forward a completed renunciation form (which you can obtain by contacting the Company) together with the Entitlement and Acceptance Form.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Monitor Energy Limited – Trust Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5.00pm WST on the Closing Date.

Please note that all payments using the Bpay payment option must be made by 4.00pm (WST) on the Closing Date.

3.4 Minimum Subscription

The minimum subscription in respect of the Offer is \$3,115,391.

3.5 Underwriting

The Offer is conditionally underwritten by Patersons Securities Limited.

Refer to Section 7.2 of this Prospectus for further details of the terms of the underwriting.

The potential effect of the underwriting on the Company is set out in Section 7.2.3 of this Prospectus. The Underwriter has however confirmed to the Company that, in the event that no Shareholder takes up their Entitlement and the Underwriter is required to subscribe for 100% of the Shares under the Shortfall, that neither the Underwriter, nor any of its sub-underwriters, individually, will have a voting power greater than 20% in the Company. Refer to Section 7.2.3 of this Prospectus for further detail.

3.6 Shortfall

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall. Shareholders who wish to apply for Shares above their Entitlement can complete the Shortfall Application Form attached to the back of this Prospectus and return it, together with a cheque for the value of those Shortfall Shares (at \$0.002 per Share) to the Company.

The offer of the Shortfall is a separate offer pursuant to this Prospectus. The issue price of any Shares offered pursuant to the Shortfall Offer shall be \$0.002 cents being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus. The Shortfall shall be placed at the discretion of the Underwriter in consultation with the Company.

3.7 Australian Securities Exchange Listing

Application for official quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If the Shares are not quoted on ASX before the expiration of 3 months after the date of issue of the Prospectus (or such period as modified by the ASIC) the Company will not issue any Shares and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

3.8 Allotment of Shares

Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares on the basis of a Shareholder's Entitlement. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

3.9 Offer in New Zealand

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at Section 3.7, the Company will apply to the ASX for quotation of the Shares offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

3.10 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisers as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

Pursuant to ASX Listing Rule 7.7, the Company will appoint Patersons Securities Limited (**Patersons**) as the Nominee to sell the Entitlements to which non-qualifying foreign shareholders are entitled (**Nominee**) subject to the ASIC granting approval to the appointment pursuant to Section 615 of the Corporations Act. Accordingly, the appointment of Patersons as Nominee is conditional upon the Company obtaining the requisite approval by the ASIC.

The net proceeds (if any) of the sale of each Entitlement will be forwarded by the Company's share register as soon as practicable to the non-qualifying foreign shareholders. There can be no guarantee that a market for the Entitlement of non-qualifying shareholders will exist and the Nominee is under no obligation to take up any Entitlement for which it is unable to find a qualified buyer. The Nominee will have the absolute and sole discretion to determine the timing and the price at which the Entitlements may be sold and the manner in which any sale is made.

Neither the Company nor the Nominee will be liable for a failure to sell Entitlements or to sell Entitlements at any particular price.

3.11 Taxation Implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, and the Underwriter do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

3.12 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

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

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

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

3.13 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

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

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the *Corporations Act* and certain rules such as the *ASTC Settlement Rules*. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

4. UPDATE AND PURPOSE AND EFFECT OF THE OFFER

4.1 Update on the Company and Purpose of the Offer

The purpose of the Offer is to raise approximately \$3,115,391 (before expenses). The funds raised, after deducting the expenses of the Offer (of approximately \$275,000), will be allocated to the earn-in under the Heads of Agreement signed with Victoria Petroleum NL and announced to the ASX on 11th September 2009, plus general working capital of the Company. Further information relating to the Heads of Agreement can be found in Section 7.2.3.

The working capital will be used:

- (a) to meet the Company's administrative expenses both in Australia and at the Company's operations in the Kyrgyz Republic;
- (b) fund the continued exploration of the Company's assets in the Kyrgyz Republic; and
- (c) continue the investigations and review of various potential project acquisitions.

4.2 Effect of the Offer and Pro Forma Consolidated Balance Sheet

The principal effect of the Offer will be to (assuming the Offer is fully subscribed):

- (a) increase the cash reserves by approximately \$2,840,391 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 1,557,695,704, to approximately 3,115,391,408 Shares following completion of the Offer (assuming no Options are exercised prior to completion of the Offer).

4.3 Consolidated Balance Sheet

The Audited Consolidated Balance Sheet as at 30 June 2009 and the unaudited Pro Forma Consolidated Balance Sheet as at 30 June 2009 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares pursuant to the Offer in this Prospectus are issued.

The Audited Consolidated Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet as at 30 June 2009 (Audited)

	Note	30 June 2009 Actual \$	30 June 2009 Pro-forma \$
CURRENT ASSETS			
Cash and cash equivalents	1	661,658	3,502,049
Trade and other receivables		30,128	30,128
Inventory		3,342	3,342
Other		14,038	14,038
TOTAL CURRENT ASSETS		709,166	3,549,557
NON-CURRENT ASSETS			
Property, plant and equipment		166,716	166,716
TOTAL NON-CURRENT ASSETS		166,716	166,716
TOTAL ASSETS		875,882	3,716,273
CURRENT LIABILITIES			
Trade and other payables		270,163	270,163
Provisions		52,876	52,876
TOTAL CURRENT LIABILITIES		323,039	323,039
TOTAL LIABILITIES		323,039	323,039
NET ASSETS		552,843	3,393,234
EQUITY			
Issued capital	1	15,692,149	18,532,540
Reserves		1,895,718	1,895,718
Accumulated Losses		(17,035,024)	(17,035,024)
TOTAL EQUITY		552,843	3,393,234

Notes:

- Pro forma adjustment based on the Company receiving the proceeds from the issue of Shares under the Offer. The adjustments reflect the Offer being fully subscribed, and the Company receiving proceeds of \$3,115,391 via the issuance of 1,557,695,704 Shares at a price of \$0.002 per Share. The Company's anticipated costs associated with the Entitlements Issue, being approximately \$275,000, have been applied against the proceeds received, giving a net cash inflow of \$2,840,391.

4.4 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares

	Number
Shares on issue at date of Prospectus	1,557,695,704
Shares offered pursuant to the Offer	1,557,695,704
Total Shares on issue after completion of the Offer¹	3,115,391,408

Options

	Number
Quoted exercisable at \$0.025 on or before 31 August 2011	1,471,875,130
Unquoted exercisable at \$0.02 on or before 31 December 2009	500,000
Unquoted exercisable at \$0.035 on or before 31 December 2009	3,500,000
Unquoted exercisable at \$0.05 on or before 31 December 2010	5,000,000
Unquoted exercisable at \$0.075 on or before 31 December 2011	5,000,000
Unquoted exercisable at \$0.034 on or before 30 June 2010	1,250,000
Unquoted exercisable at \$0.025 on or before 11 March 2011	2,500,000
Unquoted exercisable at \$0.05 on or before 31 December 2009	500,000
Total Options on issue after completion of the Offer	1,490,125,130

Notes:

1. The tables above assume that no Options are exercised prior to completion of the Offer.

5. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES

5.1 Terms of Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

5.1.1 General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

5.1.2 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

5.1.3 Dividend Rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the

Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

5.1.4 Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

5.1.5 Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

5.1.6 Future Increase in Capital

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

5.1.7 Variation of Rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6. RISK FACTORS

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.1 Operating Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- (a) adverse geological conditions;
- (b) limitations on activities due to seasonal weather patterns and cyclone activity;
- (c) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;
- (d) mechanical failure of operating plant and equipment;
- (e) industrial and environmental accidents, industrial disputes and force majeure events;
- (f) unavailability of drilling or other equipment required for the Company's activities;
- (g) unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- (h) inability to obtain necessary consents or approvals.

6.2 Going Concern Risk

While completing the audit review of the Company's Annual financial report for the year ended 30 June 2009, the Company's auditor, Stantons International noted the following:

"As referred to in Note 3 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. At 30 June 2009 the entity had working capital of \$386,127 and had incurred a loss for the year of \$6,053,618. The ability of the entity to continue as a going concern is subject to the successful recapitalisation of the entity. In the event that the Board is not successful in recapitalising the entity and in raising further funds, the company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the company's and its subsidiaries assets may be significantly less than book values".

The Directors believe that there are sufficient funds to meet the consolidated entity's working capital requirements. However, the Directors recognise the ability of the consolidated entity to continue as a going concern and to pay

their debts as and when they fall due is dependent on the ability of the consolidated entity to secure additional funding.

During the period, the consolidated entity successfully raised \$834,626 gross of capital raising costs via the issue of ordinary fully paid shares, options to acquire fully paid ordinary shares and the conversion of share options and convertible notes.

Based on the above, the consolidated entity is confident that it will successfully raise additional capital funds to meet its financial obligations in the future period.

The Directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the consolidated entity will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

Notwithstanding this, there is uncertainty whether the consolidated entity will be able to continue as a going concern.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report."

In the event that the Offer is not completed successfully there is significant uncertainty as to whether the Company can continue as a going concern.

6.3 Future funding requirements

In order to develop its business, including the exploration and development of any oil and gas discoveries, the Company will require additional funding to the funds being raised under the Offer. In addition, it is highly likely that regardless of the successful completion of the Offer, the Company will also need to undertake an additional capital raising to raise additional funds to meet the administration and working capital costs in the medium to long term. There can be no assurance that any such equity or debt funding will be available for the Company on favourable terms or at all. If adequate funds are not available on acceptable terms, there is significant uncertainty as to whether the Company can continue as a going concern.

6.4 Future performance of business activities

The value of the Company's business activities is subject to the various and unpredictable influences of the market it operates in and the economy in general. Accordingly, adverse economic and market conditions may be experienced by the Company which are outside of its control and may have an adverse effect on the Company.

6.5 Exploration Risk

There is no assurance that oil and/or gas will be discovered in the areas in which the Company has an interest. Even if further oil and/or gas is discovered in those areas, there is no assurance that commercial quantities of oil and/or gas can be recovered from the Company's permits.

6.6 Oil and gas price fluctuations

The price for oil and gas will depend on available markets at acceptable prices and transmission, distribution and other costs. Any substantial decline in the prices of oil and gas or an increase in transmission, distribution or other costs could have a material adverse effect on the Company.

6.7 Drilling and operating risks

The Company's operations may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and compliance with governmental requirements.

Fire, explosions, blow-outs, pipe failure, well collapse, abnormal pressured formations and environmental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gases, could cause the Company substantial loss due to the cost of personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations.

Any of these events might also give rise to claims against the Company.

6.8 Ability to exploit success

Any successful exploitation of discoveries would require obtaining the necessary production permit and the relevant government approvals as required by the Government of the Kyrgyz Republic and state government of South Australia. The required approvals may be issued at the discretion of the relevant authorities and might be issued subject to conditions or preconditions.

6.9 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

6.10 Market conditions

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

6.11 Security Investments

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

Exploration in itself is a speculative endeavour, while petroleum operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

6.12 Legislative changes, Government policy and approvals

Changes in government regulations and policies may adversely affect the financial performance of the Company. For example, any increased rentals under the relevant legislation may impact on the Company's actual financial statements. The Company's capacity to explore and produce, in particular the Company's ability to explore and produce any reserves, may be affected by changes in government policy, which are beyond the control of the Company.

6.13 Future Capital Requirements

The Company's ongoing activities will require substantial expenditures. There can be no guarantee that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

6.14 Reliance on Key Personnel and Employees

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

In addition, Australia is currently experiencing a shortage of skilled labour including those skills utilised in the resources industry. The Company cannot guarantee that its exploration activities will not be negatively affected by an inability to employ appropriately skilled staff.

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in the Prospectus, before deciding whether to apply for Shares.

6.15 Sovereign risks

The Company is currently conducting its exploration activities in the Kyrgyz Republic, which achieved independence from the USSR in 1991. Although the Government in the Kyrgyz Republic is currently stable and has been for several years, the Kyrgyz Republic has previously experienced a period of political unrest. The Company will continue to monitor the political climate in the Kyrgyz Republic. Other than the Kyrgyz Republic, and announced to the ASX on 11 September 2009, the Company will also be conducting exploration activities in the Cooper Basin, South Australia. Australia has a history of political stability.

6.16 International Operations

International sales and operations are subject to a number of risks, including:

- (a) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- (b) potential difficulties in protecting intellectual property;
- (c) increases in costs for transportation and shipping; and
- (d) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

6.17 Foreign Exchange

In the future a proportion of the Company's revenues, cash inflows, other expenses, capital expenditure and commitments may be denominated in foreign currencies.

To comply with Australian reporting requirements the income, expenditure and cash flows of the Company will need to be accounted for in Australian dollars. This will result in the income, expenditure and cash flows of the Company being exposed to the fluctuations and volatility of the rate of exchange between other currencies and the Australian dollar, as determined in international markets.

Furthermore, the Company has decided to not put in place any hedges in relation to foreign exchange. This may result in the Company being exposed to exchange rate risk, which may have an adverse impact on the profitability and/or financial position of the Company.

7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus". In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 30 June 2009 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for

the year ended 30 June 2009 lodged with ASIC before the issue of this Prospectus; and

- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since lodging the last annual report for the year ended 30 June 2008:

Date	Description of Announcement
11/09/2009	Underwritten Renounceable Entitlement Issue
11/09/2009	Monitor Investor Presentation
11/09/2009	VPE signs Heads of Agreement with Monitor Energy Limited
11/09/2009	Monitor farms in to Cooper Basin oil and gas licence
10/09/2009	Trading Halt
09/09/2009	Appointment of Highly Experienced Executive as CFO
09/09/2009	Extension of Uranium Deposit in the Kyrgyz Republic
08/09/2009	Financial Report 30 June 2009
26/08/2009	Monitor Energy in strategic review of assets
12/08/2009	Ceasing to be a substantial holder
31/07/2009	Quarterly Activities and Cashflow Report
17/07/2009	Change of Company Secretary
01/07/2009	Becoming a substantial holder
25/06/2009	Appendix 3Y – Gwynne
25/06/2009	Appendix 3Y – Roestenburg
24/06/2009	Appendix 3B
24/06/2009	Convertible Loan Shares and Options Issued
17/6/2009	Entitlement Offer Notification of Subscription
21/05/2009	Letter to Shareholders
21/05/2009	Letter to Optionholder

19/05/2009	Appendix 3B – Entitlement Issue
19/05/2009	Entitlement Issue Prospectus
19/05/2009	Converting Loan and Renounceable Entitlement Issue
19/05/2009	Reinstatement to Official Quotation
15/05/2009	Suspension from Official Quotation
13/05/2009	Trading Halt
11/05/2009	Response to ASX Query - Appendix 5B
04/05/2009	Appendix 3B
30/04/2009	Quarterly Cashflow Report
30/04/2009	Quarterly Activities Report
30/04/2009	Lapsing of Unlisted Options to Acquire Ordinary Shares
09/03/2009	Half Year Accounts
18/02/2009	Response to ASX Appendix 3Y Query
16/02/2009	Change of Director's Interest Notice
30/01/2009	Quarterly Activities Report
30/01/2009	Quarterly Cashflow Report
13/01/2009	Lapsing of Unlisted Options to Acquire Ordinary Shares
18/11/2008	Results of Meeting
10/11/2008	Appendix 3B
07/11/2008	Change of Share and Option Registry
31/10/2008	Quarterly Activities Report
31/10/2008	Quarterly Cashflow Report
16/10/2008	Notice of Annual General Meeting/Proxy Form
26/09/2008	Annual Report to shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.monitorenergy.com.au.

7.2 Material Contracts

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

7.2.1 Underwriting Agreement

Pursuant to an agreement between Patersons Securities Limited (**Underwriter**) and the Company (**Underwriting Agreement**), the Underwriter has agreed to fully underwrite the Offer for 1,557,695,704 Shares (**Underwritten Securities**).

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay the Underwriter an underwriting fee of 4% of the total amount underwritten under the Rights Issue;
- (b) pay the Underwriter a management fee of 1.5% of the total amount raised, from all sources, under the Rights Issue; and
- (c) pay the Underwriter a corporate advisory fee of \$60,000.

The Agreement is conditional upon satisfaction of the following conditions on or before the date of the lodgement of the Prospectus:

- (a) the Underwriter entering into sub-underwriting agreements to sub-underwrite all of the amount to be underwritten pursuant to the Offer on terms and conditions, quantum and quality satisfactory to the Underwriter in its sole discretion;
- (b) a satisfactory outcome to the Company's due diligence process;
- (c) the Company preparing a prospectus that fully complies with all relevant aspects of the Corporations Act (including ASIC policy), the ASX Listing Rules and the Constitution of the Company, the terms and contents of which prospectus are to Patersons' satisfaction;
- (d) a legal sign off letter being provided to the Company's due diligence committee by the Company's solicitors to the satisfaction of Patersons and addressed to be for the benefit of Patersons confirming that:
 - (i) the due diligence investigations have been implemented and completed in accordance with the Planning Memorandum (see section 11.2 below);
 - (ii) the verification and sign-off procedures for the Prospectus have been conducted in accordance with Planning Memorandum; and
 - (iii) the due diligence investigations and the sign-off procedures for the Prospectus referred to above constitute all inquiries and precautions that are reasonable in the circumstances and involved the exercise of due diligence by the Directors of the Company to ensure that all material statements in the Prospectus are not misleading or deceptive and that there are no material omissions from the prospectus.
- (e) Patersons executing a mutually agreed Underwriting Agreement; and

- (f) Patersons executing a formal consent to be named in the Company's Prospectus as Lead Manager and Underwriter.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events including:

- (a) the Australian equity capital market conditions and/or ASX trading conditions are such that they are not, in the bona fide judgement of Patersons, conducive to the successful completion of the Underwriting Agreement or other events beyond the control of the Underwriter are so material and adverse as to make it impracticable or inadvisable to proceed with the new equity issue on the terms and in the manner contemplated herein.
- (b) Shares finish trading on the ASX under the ASX code of "MHL" on any four (4) consecutive days with a closing price that is equal to the issue price of the Rights Issue shares;
- (c) the All Ordinaries Index (IRESS XAO.ASX) as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its level as at the close of business on the business day prior to the date of execution of the Underwriting Agreement;
- (d) there is a material adverse effect including any adverse change in the assets, liabilities, financial position or prospects of the Company as disclosed publicly and/or to the Underwriter, other than for the costs incurred by the Company in relation to the proposed Offer;
- (e) there is a false or misleading statement in the material or information supplied to the Underwriter or included in the presentation materials or a material omission in the material supplied to the Underwriter or included in the presentation materials;
- (f) any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, it is impracticable to market the new issue or to enforce any contract to issue and allot the new shares or that the success of the new issue is likely to be adversely affected;
- (g) there is introduced, or there is a public announcement of a proposal to introduce, into the parliament of Australia or any state of Australia, a new law, or the Reserve Bank of Australia, any federal or state authority of Australia adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this Mandate), any of which does or is likely to prohibit or regulate financial institutions or credit providers, capital issues or stock markets;
- (h) ASX gives formal or informal notice that the Shares offered pursuant to the Offer will not be admitted to trading on the official list of ASX;
- (i) ASX announces that the Shares will be delisted, removed from quotation, withdrawn from admission to trading status or suspended from trading;

- (j) default by the Company of any term of the Underwriting Agreement;
- (k) any of the warranties or representations by the Company in the Underwriting Agreement are or become materially untrue;
- (l) a Director or proposed director of the Company is charged with an indictable offence or any director or proposed director of the Company is disqualified from managing a corporation under the Corporations Act;
- (m) ASIC issues, or threatens to issue, a proceeding, hearing or investigation in relation to the Offer;
- (n) any government agency (including ASIC) commences any public action, hearing or investigation against the Company or any of its Directors in their capacity as a director of the Company or announces that it intends to take such action; and
- (o) all of the conditions to the Underwriting Agreement set out above have not been, or will not in the Underwriter's sole and absolute opinion be satisfied, or waived by Patersons, prior to 28 September 2009 or such later date agreed by Patersons in writing.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

7.2.2 Disclosure of Underwriter Voting Power

As set out above, the Offer is fully underwritten by Patersons Securities Limited (**Underwriter**), subject to the satisfaction of the conditions outlined in section 7.2.1 above.

To comply with the requirement to fully disclose the Underwriter's potential voting power in the Company and the effect of the underwriting by the Underwriter, the table below sets out various scenarios to indicate the effect on the Company's shareholding depending on the Shortfall (if any). The potential maximum increase in the voting power of the Underwriter is set out below (100% Shortfall) and will only occur if no Shareholders take up their Entitlement under the Offer.

Event	Number of Shares of the Company held by the Underwriter	Voting power of the Underwriter in the Company
Underwriter holding as at the date of the Prospectus	Nil	Nil
After issue of Shares to the Underwriter assuming 100% Shortfall	1,557,695,704	50%
After issue of Shares to the Underwriter assuming 75% Shortfall	1,168,271,778	37.5%
After issue of Shares to the Underwriter assuming 50% Shortfall	778,847,852	25%
After issue of Shares to the Underwriter assuming 25% Shortfall	389,423,926	12.5%

The calculations above assume that the Underwriter waives the condition of the Underwriting Agreement to appoint sub-underwriters and is therefore obliged to take up the whole of the Shortfall itself.

The calculations above also assume that the Underwriter will not increase its holding of Shares prior to the Record Date and/or the close of the Offer. If the Underwriter acquires additional Shares prior to either of these dates, the numbers set out above will vary accordingly. It should be noted that the Underwriter may only acquire additional Shares prior to the Record Date and/or the close of the Offer to increase its voting power to 20% (and not more). If the Underwriter increases its voting power to 20% prior to the Record Date, its maximum potential voting power on completion of the Offer will be 60% (or 1,869,234,845 Shares).

The number of Shares held by the Underwriter and its voting power in the table above show the potential effect of the underwriting of the Offer. However, it is unlikely that no Shareholders will take up their Entitlement under this Offer (the Directors have indicated that it is their present intention to take up their Entitlement). The underwriting obligation of the Underwriter, and therefore voting power of the Underwriter, will reduce by a corresponding amount for the amount of Entitlements taken up by Shareholders. In addition, the future pattern of shareholding of the Company will change depending on the take up of Entitlements of the other Shareholders.

The Underwriter has advised the Company that it has entered into a number of sub-underwriting agreements (**Sub-Underwriting Agreements**) with its clients to take up the Shortfall (**Sub-Underwriters**).

The Underwriter has advised the Company that following the issue of the Shortfall to the Sub-Underwriters in accordance with the Sub-Underwriting Agreements, neither the Underwriter nor any of its sub-underwriters, individually, will have a voting power in the Company in excess of 20%. Therefore, the Underwriter will not obtain control of the Company as a result of the Underwriter underwriting the Offer.

7.2.3 Heads of Agreement

On 11 September 2009, the Directors announced that the Company had entered into a Heads of Agreement with Victoria Petroleum N.L. (**Heads of Agreement**) pursuant to which the Company may earn up to a 75% interest in Petroleum Exploration License 115 (**PEL 115**). The Company may earn a 75% interest in the Fury Prospect and associated Fury Petroleum Production Licence (if granted) and a 37.5% interest in all of PEL 115 by funding 100% of the drilling of the Fury Prospect Well and open hole testing and in the event of discovery, completing the Fury Prospect Well for production.

The Company may earn a further 37.5% interest in all of PEL 115 by funding 100% of the costs associated with drilling a second well on PEL 115, Airacobra-1 and open hole testing and in the event of discovery, completing the Airacobra Well for production.

The Heads of Agreement is conditional upon the Company completing a legal due diligence in respect of the PEL 115 and securing adequate funding arrangements to be able to perform its obligations under the Heads of Agreement.

7.3 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement	Cash Remuneration for year ended 30 June 2009 (\$)
Scott Spencer	8,000,000	-	8,000,000	50,000
Jon Roestenburg	5,100,000	15,000,000	5,100,000	181,968
Mark Gwynne	11,000,000	8,250,000	11,000,000	148,482

Notes:

1. Each of the Directors have indicated that it is their present intention to subscribe for their full Entitlement under the Offer.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The Company paid to the Directors a total of \$390,791 the year ended 30 June 2008 and \$380,450 for the year ended 30 June 2009. In addition to the above, the Directors have been paid fees totalling \$47,000 from the end of the previous financial year until the date of this Prospectus. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

7.4 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Patersons Securities Limited has given and has not withdrawn its consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus and to being appointed and named as the Nominee in the form and context in which it is named. Patersons Securities Limited has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Patersons Securities Limited (including its related entities) is not a Shareholder of the Company and currently has no relevant interest in any Shares or Options.

Patersons Securities Limited will be paid an underwriting fee of approximately \$124,615, a \$46,730 management fee and a \$60,000 corporate advisory fee in respect to this Offer.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin act as Solicitors to the Company. Steinepreis Paganin will be paid approximately \$10,000 for services in relation to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Stantons International has given, and has not withdrawn its consent to being named as Auditor to the Company in the Corporate Directory of this Prospectus and to the reference to its name in Section 6.2 in the form and context in which it is named. Stantons International has not caused or authorised the issue of this Prospectus, does not

make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

7.5 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

7.6 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	\$
ASIC fees	2,010
ASX fees	8,626
Underwriting Arrangement fees	171,345
Corporate Advisory fees	60,000
Legal & compliance expenses	15,519
Printing and other expenses	17,500
Total	<u>275,000</u>

7.7 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.005 on 26 August 2009

Lowest: \$0.001 on 21 July 2009

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.004 on 21 September 2009.

7.8 Electronic Prospectus

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

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic

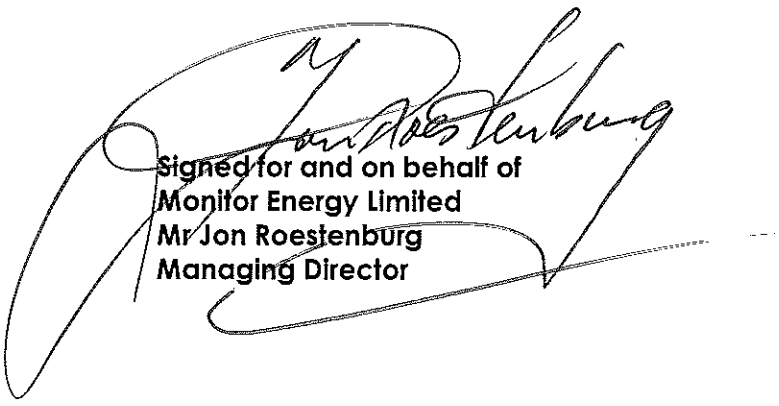
Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8. AUTHORITY OF DIRECTORS

8.1 Directors' Consent

Each of the Directors of Monitor Energy Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

Dated the 22nd day of September 2009



Signed for and on behalf of
Monitor Energy Limited
Mr Jon Roestenburg
Managing Director

9. **DEFINITIONS**

Applicant means a Shareholder or Underwriter or other party instructed by the Underwriter who applies for Securities pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHES.

ASX means the ASX Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Offer, being 5.00pm (WST) on 13 October 2009 (unless extended).

Company means Monitor Energy Limited (ABN 25 009 121 644).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

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

Dollar or "\$" means Australian dollars.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Issue means the issue of Shares offered by this Prospectus.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Nominee means Patersons Securities Limited.

Offer means the renounceable entitlement offer pursuant to the Prospectus of one (1) new Share for every one (1) Share held by a Shareholder on the Record Date issued to raise \$3,115,391.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5.00pm (WST) on XX September 2009.

Related Corporation has the meaning given to that term in the Corporations Act.

Securities means Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Shortfall means those Securities under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

Underwriter means Patersons Securities Limited (ABN 69 008 896 311).

WST means Western Standard Time.

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Shortfall Application Form together with a cheque to the share registry of the Company. If an Applicant has any questions on how to complete this Shortfall Application Form, please telephone the Company. The Form must be received by the Share Registry no later than **5.00pm on the date which is 3 months after the Closing Date (or such earlier date as directed by the Company)**.

A. Application for Shares

The Shortfall Application Form must only be completed in accordance with instructions included in the Prospectus.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.

F. CHES HIN or existing SRN Details

The Company participates in CHES. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHES HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Cheque Details

Make cheques payable to "Monitor Energy Limited – Trust Account" in Australian currency and cross them "**Not Negotiable**". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.

H. Declaration

By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed.

If a Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Shortfall Application Form, and how to construe, amend or complete it, shall be final. A Shortfall Application Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque.

Forward your completed application together with the application money to:

**Monitor Energy Limited – Trust Account
C/O Advanced Share Registry Services Pty
Limited
PO Box 1156
NEDLANDS WA 6909**

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund