

## ORMIL ENERGY LIMITED

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23<sup>rd</sup> September 2010

Company Announcements Office

ASX Limited

Exchange Centre

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Sydney NSW 2000

The Directors of Ormil Energy Limited advise as follows:-

- A. Ormil Energy Limited (the Company) and Ormil Operations Pty Limited have finalised Due Diligence and have late yesterday settled the purchase of 100% of the issued capital of Sydney Basin CBM Pty Limited from Apex Energy N.L. in accordance with the agreement which was announced to the ASX on 24<sup>th</sup> August 2010.

Sydney Basin CBM Pty Limited owns a 20% interest in petroleum Exploration Licences 442, 444 and 454 in the Sydney Basin which are prospective for Coal Seam Methane (C.S.M.) and owns a 20% interest in agreements with the owners of Coal Mining Leases CCL 703, 379, 700 and 740 and Authorisation 200 which are prospective for Coal Mine Methane (C.M.M.).

The acquisition price of the assets total \$1,750,000 for the whole of the issued capital of Sydney Basin CBM Pty Limited and the Mining information and such sum has been settled by the issue of 20,000,000 fully paid ordinary shares in the capital of Ormil Energy Limited to Apex Energy N.L. at 5 cents a share and the payment of \$750,000.

In addition Ormil Energy Limited has issued 4,000,000 fully paid shares at 4 cents per share in settlement of costs and advice in relation to this transaction and the change of activities of the Company to an active investor in Coal Seam Methane and Coal Mine Methane and the Energy area.

Information regarding Apex Energy N.L. and its activities has been referred to in releases to the ASX on 9<sup>th</sup> March 2010 and 24<sup>th</sup> August 2010, in the Company's Quarterly Activity Reports and in the Company's 2010 Annual Report which was released to the ASX on 1<sup>st</sup> September 2010.

As announced in the release of 24<sup>th</sup> August Ormil Operations has agreed to enter into a Joint Venture with Apex Energy N.L. and is obliged to spend \$3,200,000 on

exploration of the Apex CSM and CMM areas by spending in Phase 1 \$1,600,000 on or before 30 June 2011 and in Phase 2 a further \$1,600,000 on or before 31 December 2012.

The expenditures in Phases 1 and 2 are both conditional on Ormil Energy raising sufficient funds for each stage on terms satisfactory to Ormil Energy.

After spending the \$3,200,000 referred to above the Ormil Energy Limited group will own a 20% interest in the Apex Energy N.L. CSM and CMM assets in the Southern New South Wales coal fields (the Apex CSM and CMM assets). The parties have also agreed to the creation of an area of mutual interest which covers all CSM and CMM areas which Apex Energy N.L. now owns or acquires in New South Wales during the period of the joint venture south of a line drawn East-West through Macquarie Place in Sydney.

In Phase 3 of the Joint Venture agreement Ormil Operations has the right to earn a further 30% interest in the Apex CSM and CMM assets by spending \$7,000,000 exploring, appraising or developing the assets on or before 30 June 2014.

In the event Ormil Operations spends the total \$7,000,000 in Phase 3 Ormil Energy will own 50% of the Apex CSM and CMM assets in the Area of Mutual Interest in Southern NSW with Apex Energy N.L. owning the other 50%.

The Company's attention has been drawn to an article on the front page of this morning's Sydney Morning Herald.

With respect to the general remarks about environmental issues associated with Coal Seam Gas and Coal Mine Methane exploration and extraction, the Company is well aware of these issues and considers that the technology that is currently available will ensure that these concerns will be properly addressed.

- B. After the issue of a total of 24,000,000 shares referred to above which rank equally with the present issued capital and for which an application for listing will be made Ormil Energy Limited will have on issue 186,074,833 fully paid ordinary shares.

The Company did not place the 50,000,000 ordinary shares the placement of which on or before the 17<sup>th</sup> September 2010 was authorised by the Extraordinary General Meeting held on 18 June 2010.

In the announcement to the ASX on 24<sup>th</sup> August 2010 the Company announced a 1 for 3 issue to shareholders at 3 cents a share to raise funds to carry out Stage 1 of the Joint Venture.

The Company has now decided that the issue should be on the basis of 1 share for every 2 held at the record date at 3 cents per share. The issue which has been partially underwritten and partially taken up if fully subscribed will result in the issue of 93,037,417 fully paid ordinary shares to raise \$2,791,123 before costs.

The details of the issue are being finalised and will be announced in the near future.

- C. The Company has finalised its financial arrangements with the Managing Director and have entered into an employment contract with Mr Fontaine and a consulting agreement with Taz Consulting Pty Limited a company controlled by Mr Fontaine. The total annual costs of these arrangements are \$240,000 per annum.

In addition the Company has agreed to pay a bonus of \$500,000 should the price of the Company's share exceed 10 cents per share for 10 days in any 20 day period, a further \$500,000 should the price exceed 15 cents a share for 10 days in any 20 day period and a further \$500,000 if the share price exceeds 20 cents a share for 10 days in a 20 day period.

In the event that the target share prices under the bonus agreement are not met by the 30<sup>th</sup> June 2014 or Mr Fontaine ceases to be a Director of the Company the bonus arrangements will lapse.

In addition the Company has subject to shareholder approval which will be sought at the Annual General Meeting to be held on the 4<sup>th</sup> November 2010 issued Mr Fontaine with 10,000,000 unlisted options over the Capital which will vest on the date on which the Shareholders approve their issue and are exercisable at 6 cents per share at any time on or before 30<sup>th</sup> June 2012.

M.T Ohlsson  
Company Secretary