



Australian Government

Takeovers Panel

MEDIA RELEASE

No: TP13/55

Friday, 8 November 2013

Moreton Resources Limited – Panel Receives Application

The Panel has received an application from Alexander Jason Elks in relation to the affairs of Moreton Resources Limited. The application concerns a funding arrangement between Moreton and Twinkle Woods Limited.

Details of the application, as submitted by the applicant, are below.

A sitting Panel has not been appointed at this stage and no decision has been made whether to conduct proceedings. The Panel makes no comment on the merits of the application.

Details

On 25 September 2013, Moreton (then named Cougar Energy Limited) announced a \$1 million secured funding agreement with Twinkle Woods. As initially proposed, the funding was to convert to equity as follows:

- (a) a placement of 100 million ordinary shares at \$0.001 per share and
- (b) the balance (\$900,000) plus interest to be used to subscribe for convertible notes, with a conversion price of \$0.001 per share.

The funding terms included a \$250,000 break fee if all conditions precedent were not satisfied by 18 November 2013.

On 16 October 2013, Moreton announced it had received a s249D¹ notice from Mr Elks seeking to replace all the current directors of Moreton.²

On 24 October 2013, Moreton announced that Twinkle Woods had notified it of an event of default (including because of the s249D notice) under the funding agreement and that the agreement had been renegotiated to increase the conversion price of ordinary shares to \$0.0017. Moreton also stated that the event of default could be cured by repayment of all monies owing (plus the break fee) or shareholder approval of the conversion of the Twinkle Woods funding into equity.

¹ All references are to the *Corporations Act 2001* (Cth) unless otherwise stated

² Mr Elks has nominated 4 directors, including himself, to the board

On 29 October 2013, Moreton issued a notice of meeting including resolutions to approve the conversion of the Twinkle Woods funding into equity under ASX Listing Rule 7.1. The notice of meeting stated that Twinkle Woods could acquire up to a 24.7% interest in Moreton through conversion of the convertible notes, but that absent a further approval it would only convert notes such that its interest would not exceed 20% to ensure compliance with s606.

The shareholders' meeting (which is the AGM) to consider the ASX Listing Rule 7.1 resolution is scheduled for 28 November 2013. The shareholders' meeting to consider the s249D notice is scheduled for 13 December 2013.

The applicant submits, among other things, that sufficient information regarding Twinkle Woods has not been disclosed, that the funding agreement contains terms (including the break fee and security) that are intended to coerce shareholders into approving the issue of equity to Twinkle Woods and that certain directors of Moreton (who are shareholders of the company) are associated with Twinkle Woods such that its acquisition of a 20% interest will breach s606.

The applicant seeks interim orders that in effect suspend the funding arrangements between Moreton and Twinkle Woods until at least 16 January 2014.³

The applicant seeks final orders including to the effect that:

- (a) Moreton offer a capital raising to all shareholders on the same terms as offered to Twinkle Woods
- (b) the break fee be cancelled
- (c) the security associated with the funding agreement be cancelled
- (d) additional information be provided to shareholders prior to the vote, including the identity of Twinkle Woods and an independent valuation of Moreton and
- (e) the period for repayment of the loan be extended to 60 days after the relevant shareholder vote, if shareholders do not approve the transaction.

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³ A date nominated by the applicant after the Christmas/New Year period