

# ASX Announcement

**ASX Code: AMU**

20 August 2009

## LETTER TO SHAREHOLDERS

Please find following a letter from the Managing Director to Shareholders on behalf of the Board of Directors.

Annexed to this letter is a statement from CVC Limited that was provided to the Company for distribution to shareholders under section 249P of the Corporation Act.

For further information contact:

Phone: 08 9226 0222

E-mail: [info@amadeus.net.au](mailto:info@amadeus.net.au)

**Amadeus Energy Ltd** is an ASX listed energy company that generates value for shareholders by increasing oil and gas production and growing reserves through the acquisition and development of existing long-life on-shore oil and gas fields and through exploration activity. This is achieved by acquiring properties that have significant development and improvement potential and by investing in a combination of low, medium and high-risk exploration activity. Potential reserves of up to 5 million barrels of oil and 60 billion cubic feet of gas (net to Amadeus) are being targeted through these development and exploration activities.

ASX Listed: **20 March 1997**

**As at 31 July 09**

Shares on issue: ~198 million  
Unlisted options: ~9.5 million  
Market Cap: ~\$64.5 million

**Major Shareholders:**

Wyllie Group Pty Ltd **12.60%**  
Spinifex Holdings / G Towner **6.76%**

Top 20: **44.03%**  
Directors: **9.14%**

[www.amadeusenergy.com](http://www.amadeusenergy.com)



19 August 2009

Dear Shareholder

**UPCOMING GENERAL MEETING OF SHAREHOLDERS - 9 SEPTEMBER 2009**

I am writing to you about the meeting of shareholders to be held on 9 September 2009. As detailed in the Notice of Meeting, resolutions are being proposed to ratify Tranche 1 and to approve Tranche 2 of the Company's capital raising that was announced on 7 August 2009.

As is their right as a shareholder, CVC Limited has asked us to distribute the attached statement, regarding the resolutions. You should be aware however, that the **Board of Directors does not agree with the views expressed** by CVC in the statement. A copy of CVC's statement is enclosed as Appendix 1.

CVC own approximately 2.5% of the shares of the Company and in the Board's view are seeking to disrupt the capital raising and debt management strategy being implemented by the Board. The Board also notes that CVC has made a requisition regarding changes to the Board, and will keep shareholders advised of this separate matter.

The Board has undertaken the capital raising following consideration of a number of options and after seeking professional advice. The Board believes that the capital raising is prudent and in the best interests of the Company.

The method of capital raising undertaken, by the introduction of institutional shareholders willing and able to invest a significant amount of funds into Amadeus, was also judged to be the method most likely to raise the level of funds being sought on the best possible terms and with a high level of funding certainty.

Shareholders should be mindful that companies such as Amadeus, with asset values linked to volatile world oil prices, must be prudent in managing debt within the current financial market.

The capital raising has been proposed to:

- Strengthen the balance sheet through accelerated debt reduction, reducing interest costs and improving profitability;
- Allow Amadeus to maintain and grow production through the recommencement and acceleration of development and exploration activities;
- Position Amadeus to take advantage of other opportunities to grow the business and increase shareholder value; and
- Ensure that the Company does not lose its positions in existing prospects that have been built up over time at considerable cost to the Company.

The Board rejects the assertion by CVC that the raising was an inappropriate capital management strategy.

The assertion by CVC that the Board is giving away shareholder value or that the shares are currently worth significantly more than the capital raising price is not borne out by the Company's recent share price, which has traded at levels at or only slightly above the issue price of the capital raising.

The Board of Directors is committed to delivering increased shareholder value, and capitalising on the potential value inherent in a strong portfolio of revenue generating oil and gas production assets. To meet this commitment and to ensure the Company is well positioned to deal with any future oil price volatility further capital is necessary.

The Board faced a clear choice to either allow the Company and future earnings to wither under the pressure of the changed global financial circumstances, with reduced revenue from oil and gas sales and a more onerous future environment for interest payments and the servicing of debt, or to seek fresh capital to restructure the balance sheet.

Without fresh capital, the Company would be merely servicing debt obligations whilst denying itself the financial capability to pursue growth or maintain equity positions in existing valuable prospects.

The Company will also now have the capacity to grow through the recommencement of exploration and development activities which are currently restricted due to a significant part of the Company's cash flow being used to reduce debt and meet finance costs, as well as being free to take advantage of other opportunities that may arise to grow the business.

Seeking fresh equity from the capital markets in order to reduce debt and improve available working capital is not a strategy unique to Amadeus in recent months, and it is a move which clearly makes sense for many ASX listed companies in the current financial environment.

Should shareholders not vote in favour of the capital raising, as advocated by CVC, the Company will be left with reduced resources to meet its growth objectives which will be contrary to the interests of shareholders and the Company as a whole.

**The Board of Directors continues to strongly recommend that all shareholders vote in favour of the capital raising resolutions detailed in the Notice of Meeting.**

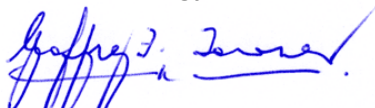
Prior to the capital raising the Wyllie Group, represented on the Board by Messrs Craig Coleman and Stephen Pearce, hold 12.6% of the shares. Collectively other members of the Board and management, including the Managing Director, hold a further 9.23%. The Wyllie Group, other members of the Board and management including the Managing Director, support the capital raising and will all vote in favour of the resolutions.

If you have not received your Notice of Meeting, or have misplaced it, please contact Computershare Investor Services Pty Limited on 1300 558 062 or ring Amadeus on (08) 9226 0222 and replacement papers can be mailed to you.

We welcome your questions or comments on our activities. Please have no hesitation contacting our Company Secretary Caroline Bentley on (08) 9226 0222 (email: [info@amadeus.net.au](mailto:info@amadeus.net.au)) if you have any questions about this or other matters relating to your Company.

Yours Sincerely

**Amadeus Energy Limited**

A handwritten signature in blue ink, appearing to read 'Geoffrey F. Towner', with a checkmark at the end.

**Geoffrey F. Towner**

Managing Director



14 August 2009

**CVC LETTER TO AMADEUS SHAREHOLDERS  
REJECT RESOLUTIONS AT UPCOMING EGM**

Dear Fellow Shareholder

I am the Chief Executive Officer of an Australian listed investment company, CVC Limited (ASX:CVC). CVC commenced operations in 1984 and has developed into a substantial diversified investment company, with significant expertise in driving value in the small and medium cap listed sector. CVC holds 4.9 million shares in Amadeus.

You should recently have received a Notice of Meeting ("NOM") from Amadeus Energy Limited ("Amadeus" ASX:AMU) convening an Extraordinary General Meeting ("EGM") of Amadeus shareholders on 9 September 2009.

At the EGM you will be asked to consider and approve two Resolutions which would:

1. Ratify the recent issue of 29.7 million new shares (equal to 15 per cent of AMU's shares on issue before the placement) at 26 cents per share, a price substantially below the then prevailing and current share prices.
2. Approve the proposed issue of a further 66.5 million new shares (equal to a further 35 per cent of the total shares on issue before the placement) at the same discounted price to the same group of new shareholders.

In addition to these share placements, if the Resolutions are approved, the Directors will be able to issue a further 15% of the Company's enlarged share capital in the next 12 months **without shareholder approval**.

As a fellow shareholder of Amadeus, CVC urges all shareholders to **VOTE AGAINST BOTH RESOLUTIONS**, because they destroy shareholder value. The combined effect of these equity placements would be to increase Amadeus' shares on issue by approximately 50 per cent and thus substantially dilute the investment value of existing Amadeus shares.

**The Resolutions run contrary to the conclusions of the 2009 Independent Corporate Review** ("the Independent Review") commissioned by the Amadeus Board, and the Board's subsequent undertakings to shareholders; and, based on the recent valuation of the Company's shares of 93 cents, by the same broker whose clients will benefit from the placements, **constitutes a transfer of wealth from existing shareholders** of approximately \$43 million, equivalent to 22 cents per existing Amadeus share.

**Independent Corporate Review**

On 19 March 2009, the Board announced the conclusions and recommendations of the Independent Review that it had commissioned "...to assess the value of the Company's existing assets versus market values and to recommend strategies and actions to address any value gap".

The Independent Review concluded, *inter alia*, that:

- **the Company's shares ...trade at a substantial discount to the underlying value;**
- the market does not appear to attribute meaningful value to the Company's exploration portfolio; and
- given the implied value of the Company's reserves reflected in its share price, **it would appear that buying back the Company's stock is a more cost effective way of acquiring oil and gas reserves than through acquisitions or exploration.**

In simple terms these conclusions indicate that the most effective means of enhancing shareholder value would be to: **reduce the number of shares on issue**, through buybacks at the prevailing bargain prices, **rather than destroy shareholder value** through new expenditure funded through highly dilutive deeply discounted share issues in which existing shareholders cannot participate.

### Amadeus' Rationale for the Placement

In the Explanatory Memorandum accompanying the NOM, Amadeus Directors attest that this selective capital raising is being undertaken to:

1. strengthen the balance sheet through accelerated debt reduction;
2. enable the Company to maintain and increase its development and exploration activities on its onshore USA projects; and
3. enable the Company to take advantage of any other opportunities to grow its business and shareholder value as they may arise.

While CVC supports undertaking actions to enhance shareholder value, we believe that the Amadeus Board has adopted an ill-advised and inappropriate strategy.

As an Amadeus shareholder, we find it extraordinary that the Board would approve issuing large numbers of new shares at 26 cents per share when:

- as recently as 13 June 2009, the Company emailed shareholders, and retains on its web-site home page, research from Hartley's Limited that: **valued the Company** on a Discounted Cash Flow basis **at 93 cents per share**; set a 1 year price target of 72 cents per share and placed a BUY recommendation on the stock at 39 cents:
- following the conclusion of the Independent Review and at other times before and since, Amadeus senior management and Directors have stated publicly that the Company is financially robust with a healthy debt/equity ratio and that **further debt reductions, stock buybacks and exploration would be made from free operating cash flow**; and
- only a few months ago management stated that **"..we can comfortably service existing debt and...have the ability to increase our debt repayments by reducing...exploration expenditure"**.

CVC is concerned that the proposed Resolutions, if approved, will be used to provide funds for the Directors to undertake a course of action that the Company's own Independent Review determined should not be pursued and would destroy shareholder value.

### Shareholders' Rights and Interests

Even if the Board believes that the circumstances of the Company have changed so significantly in the past few months that a deeply discounted new share issue of this size is necessary, the path they have chosen ignores the existing rights and interests to which existing shareholders are entitled.

The offer of deeply discounted shares to external third parties excludes shareholders from participation. A rights issue would have been more expedient and equitable, conformed to current market practice and mitigated the dilutionary impact of the current proposal.

Instead, Directors are seeking to implement a capital management initiative that can be seen to transfer wealth from existing shareholders to clients of an adviser, following positive commentary on the Company. In our opinion: an example of exceedingly poor corporate governance.

### What Shareholders Should Do

CVC believes that Amadeus should return to the independently recommended strategy of minimising exploration cash outflows and maximising capital reduction. In our view, this will achieve **maximum value enhancement over time for all shareholders**.

Accordingly, we urge all fellow shareholders to:

**REJECT THE RESOLUTIONS TO BE CONSIDERED AT THE EGM.**

Yours sincerely

Sandy Beard  
**Chief Executive Officer**  
(02) 9087 8000