



BRIDGEPORT ENERGY LIMITED

ABN 61 137 446 952

*Notice of Meeting
Explanatory Memorandum and
Proxy Form*

Date: 21 February 2011 **Time:** 9.30am
Location: Level 18, 225 George Street, Sydney, NSW

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR ATTENTION
You should carefully read this document. If you are in any doubt as to how to deal
with it, please consult your financial or other professional adviser.



Dear Shareholder

The board of Bridgeport Energy Limited (**Company** or **Bridgeport**) has convened a general meeting of shareholders to be held at 9.30am on Monday 21 February 2011 to consider a resolution of major importance to the Company in connection with the proposed issue of shares by the Company to Mattvale Pty Ltd (**Mattvale**), a wholly owned subsidiary of New Hope Corporation Limited ACN 010 653 844 (**New Hope**).

On 21 January 2011 the Company entered into a subscription agreement (**Subscription Agreement**) with New Hope and Mattvale pursuant to which it is proposed that the Company will issue 56,060,606 Shares at A\$0.33 per Share (**Subscription Shares**) to New Hope, through its subsidiary Mattvale, for a subscription price of A\$18.5 million. The funds raised under the Subscription Agreement will be primarily used for the acquisition of certain petroleum tenement assets from the IOR Entities under the IOR Energy Upstream Assets Sale Agreements. Further details about the Subscription Agreement and the IOR Energy Upstream Assets Sale Agreements are set out in the Explanatory Memorandum.

New Hope is an ASX listed (ASX Code: NHC) independent energy company which has open cut mines at Acland on the Darling Downs, and at Rosewood near Ipswich. New Hope focuses on niche marketing of its thermal coal and exports around 80% of coal production to Asia Pacific markets including Japan, Taiwan, Korea and Chile with the remainder being consumed by customers in south-east Queensland.

Under the Subscription Agreement, New Hope and Mattvale will acquire a relevant interest in 56,060,606 Shares. Assuming the acquisition of all of the Assets under the IOR Energy Upstream Assets Sale Agreements is completed, the Company will issue a further 4,700,000 Shares to the IOR Entities and Evolve as part payment of the consideration for the Assets. In these circumstances, assuming none of the existing Options are exercised, New Hope and Mattvale will have a relevant interest in 35.55% of the total issued shares in the Company.

You are being asked at this meeting to approve the Transaction and the issue of the Subscription Shares to Mattvale pursuant to the terms of the Subscription Agreement.

The Directors have concluded that the terms of issue of the Subscription Shares are fair and reasonable to the Shareholders not associated with New Hope and Mattvale.

Please see section 12 and the Directors' report at Annexure A for the Directors' review of the advantages and disadvantages of the Transaction. The Directors recommend that you vote in favour of the resolution as outlined in this Notice of Meeting.

You are urged to consider carefully all of the material in the Explanatory Statement, determine how you wish to vote and cast your vote accordingly. If you cannot attend the general meeting, you are strongly urged to complete the proxy form and return it to the Company or the Company's share registry as soon as possible and in any event by no later than 9.30am on 19 February 2011.

Yours faithfully

A handwritten signature in black ink that reads "Pat Handley". The signature is written in a cursive, flowing style.

Pat Handley
Chairman
Bridgeport Energy Limited

21 January 2011

Bridgeport Energy Limited

ABN 61 137 446 952

Notice of General Meeting

Notice is given that a General Meeting of the members of Bridgeport Energy Limited will be held at 9.30am on Monday 21 February 2011 to carry out the following business.

The Explanatory Memorandum that accompanies and forms part of this Notice describes in more detail the matters to be considered. Shareholders should read the Explanatory Memorandum in full.

Terms used in this Notice of General Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary contained in the Explanatory Memorandum.

Agenda

Resolution 1 – Issue of shares to New Hope

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

“That for the purposes of section 611 item 7 of the Corporations Act and for all other purposes, the members approve the issue of 56,060,606 Shares to Mattvale Pty Ltd ACN 147 961 475, a wholly owned subsidiary of New Hope Corporation Limited ACN 010 653 844, at a price of \$0.33 per Share on the terms described in the Explanatory Memorandum which accompanies the Notice of Meeting.”

Voting

Required Majority

In accordance with the Corporations Act and the Company's Constitution, an ordinary resolution must be passed by a simple majority of the total votes cast by shareholders entitled to vote on the resolution (whether in person or by proxy, attorney or representative).

Voting Exclusion Statements

The Company will disregard any votes cast on Resolution 1, by New Hope or their associates. However, the Company need not disregard a vote if:

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

Determination of Shareholders' Right to Vote

For the purposes of Regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the voting entitlements for the purposes of the Meeting will be based on the registered holdings as at 9.30am (Sydney time) on 19 February 2011. Accordingly those persons will be entitled to attend and vote at the meeting.

How to Vote

You may vote by attending the Meeting in person, by proxy, attorney or authorised representative.

Voting by Proxy and Attorney

Each Shareholder has a right to appoint a proxy.

A proxy form has been sent to Shareholders with this Notice. If an additional proxy form is required, it can be accessed through Bridgeport's website: www.bridgeport.net.au.

A proxy need not be a Shareholder.

A Shareholder, who is entitled to cast 2 or more votes, may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no such proportion or number is specified, each proxy may exercise half of your votes. Fractions of votes will be disregarded.

To be effective, the Company must receive the completed proxy form by no later than 9.30am (Australian Eastern Standard Time) on 19 February 2011:

- at its share registry, Registries Limited at GPO Box 3993, Sydney NSW 2001 or by facsimile on +612 9290 9655.

If an attorney for a member is to vote at the meeting the instrument conferring the power of attorney or a certified copy must be provided to the Company in the same manner as proxies, being not later than 48 hours before the Meeting.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or under the hand of a duly authorised officer or attorney.

Any revocations of proxies or attorneys must be received by the time and at one of the places which the instrument appointing the proxy is required to be received.

For more information concerning the appointment of proxies, please refer to the reverse side of the enclosed proxy form.

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.

Voting in person

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 30 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the share register and attendances recorded.

A corporation, which is a shareholder, may appoint an individual to act as its representative and to vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless previously given to the Bridgeport Energy Limited Share Registry.

Voting Intentions

The Chairman intends to vote in favour of all resolutions on the agenda in respect of undirected proxy votes where the Chairman is appointed as proxy.

Key Dates

All times are in Sydney, Australia time.

Event	Date
Deadline for lodgement of proxy forms	9.30am, Saturday 19 February 2011
Date and time for determining eligibility to vote (being the date and time you must own Shares)	9.30am, Saturday 19 February 2011
General meeting of Shareholders	9.30am, Monday 21 February 2011

This timetable is indicative only and subject to change.

Important Notices

The Company has prepared the Notice of Meeting based on information available as of 21 January 2011. You should read the Notice of Meeting in its entirety before making a decision as to how to vote on the resolutions to be considered at the Meeting.

The Notice of Meeting does not take into account the investment objectives, financial situation or particular needs of individual Shareholders or any other person. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

Responsibility Statement

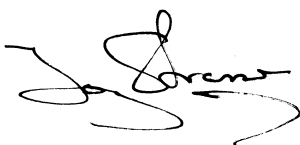
The information concerning Bridgeport contained in the Notice of Meeting (other than Sections 5, 8(1), 8(2), 9 and 10) has been prepared by Bridgeport Energy Limited and is the responsibility of Bridgeport Energy Limited. Neither New Hope nor any of its shareholders, representatives, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Bridgeport information.

The information concerning New Hope contained in the Notice of Meeting (in Sections 5, 8(1), 8(2), 9 and 10) has been prepared by New Hope and is the responsibility of New Hope. Neither Bridgeport nor any of its shareholders, representatives, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the New Hope information.

Forward Looking Statements

Certain statements in the Notice of Meeting relate to the future. Such statements involve known and unknown risks, uncertainties and other important factors that may cause the actual results, performance or achievements of Bridgeport to be materially different from the results, performance or achievements expressed or implied by such statements. These statements reflect views held only as at the date of the Notice. The Company makes no representation and gives no assurance or guarantee that the occurrence of the events expressed or implied in such statements will actually occur. You are cautioned not to place undue reliance on any forward looking statement. Dated this 21 January 2011

By order of the Board



Anthony James Strasser
Company Secretary
Bridgeport Energy Limited

EXPLANATORY MEMORANDUM TO SHAREHOLDERS CONCERNING THE GENERAL MEETING

This Explanatory Memorandum has been prepared to assist Shareholders in considering the resolution set out in the Notice. It is part of, and should be read in conjunction with, the Notice.

1 Background

On 21 January 2011 the Company entered into the Subscription Agreement with New Hope and Mattvale pursuant to which it is proposed that Bridgeport will issue 56,060,606 Shares at \$0.33 per Share to New Hope for a subscription price of \$18.5 million. The funds raised under the Subscription Agreement will be primarily used for the acquisition of the Assets from the IOR Entities under the IOR Energy Upstream Assets Sale Agreements.

2 Key Terms of the Subscription Agreement

The key terms of the Subscription Agreement include the following:

2.1 Subscription Shares

New Hope (through its wholly owned subsidiary, Mattvale) will subscribe for, and the Company will issue, the Subscription Shares pursuant to the Subscription Agreement. The consideration payable by New Hope to the Company for the Subscription Shares is \$18.5 million.

The Subscription Shares will be fully paid ordinary shares and will rank equally in all respects with the existing fully paid ordinary shares in Bridgeport.

Completion of the Transaction is expected to take place in two tranches. The first tranche will be for 52,121,212 Shares for subscription price of \$17,199,999.96, which will be completed simultaneously with the completion of the acquisition of PL 98 under the Assets Sale Agreement in respect of PL 98, ATP 548P, ATP 269P Coolum/Byrock, ATP 269P G, PL 184, PEP 150 and PEP 151. The second tranche will be for 3,939,394 Shares for a subscription price of \$1,300,000.02, which will be completed simultaneously with the completion of the acquisition of assets under the Assets Sale Agreement in respect of ATP 259 Naccowlah Block and the Jackson Load-Out Facility.

2.2 Conditions Precedent

The issue of Shares under the Subscription Agreement is conditional on:

- the members of the Company in general meeting approving by the requisite majority the issue of the Subscription Shares to Mattvale for all purposes, including the acquisition by Mattvale of relevant interests in the Subscription Shares for the purposes of item 7 of section 611 of the Corporations Act; and
- the Company and the IOR Entities having executed the Assets Sale Agreement in respect of PL 98, ATP 548P, ATP 269P Coolum/Byrock, ATP 269P G, PL 184, PEP 150 and PEP 151.

2.3 Warranties

The Company and Mattvale have granted to each other a number of warranties in the Subscription Agreement. The parties' liability in respect of the warranties is subject to standard limitations.

2.4 Termination

New Hope may terminate the Subscription Agreement at any time before completion in circumstances where the Company breaches a warranty that results in a material adverse event for the Company which is not remedied.

The Company may terminate the Subscription Agreement at any time before completion in circumstances where New Hope breaches a warranty and that breach materially and adversely affects New Hope's ability to subscribe for the Shares.

3 **Reasons for the Transaction**

The amount payable for the Subscription Shares will be primarily used for the acquisition of Assets from the IOR Entities under the IOR Energy Upstream Assets Sale Agreements.

The reasons for the Transaction, including an uplift in valuation per Share following completion of the Transaction, are summarised in Annexure A of this Notice of Meeting. The Directors' analysis of the advantages and disadvantages of the Transaction are set out in section 12 of the Notice of Meeting.

4 **Key Terms of the IOR Energy Upstream Assets Sale Agreements**

4.1 **Acquisition Summary**

Bridgeport Energy has been in discussion with the IOR Entities for some time in regard to acquiring their upstream assets portfolio. The key elements of this portfolio which are attractive to Bridgeport and value accretive (as detailed in Annexure A, Directors Report) are:

- the operated 100% interest in Inland Oil Field in permit PL 98 currently producing at 180-200 bopd and containing 2P reserves at 1,100,000 barrels, as reviewed by Bridgeport;
- the non operated production interests comprising 2% of the Naccowlah Block of ATP 259P, 6.1% of the Bargie Block and 20% of the ATP 269P fields currently providing net production of 50-70 bopd and 2P reserves of 200,000 barrels, as reviewed by Bridgeport;
- the non operated 5% interest in the PL 184 production license not currently producing but containing 2C reserves at 50,000 barrels, as reviewed by Bridgeport;
- significant 3P resource potential contained in exploration permits, including ATP548P (100%), ATP 269P (20%), PEP 150 (15%) and PEP 151 (25%); and

The majority of these assets are well positioned in the Cooper Eromanga basin proximal to the Company's existing assets.

4.2 **Consideration**

Under the IOR Energy Upstream Assets Sale Agreements, the Company will acquire the Assets for a total consideration comprising of \$15 million cash, the issue of 4,700,000 Shares to the IOR Entities and Evolve (in proportions specified in the IOR Energy Upstream Assets Sale Agreements) as well as the book value of certain equipment and the market value of oil stock on PL 98 Inland Field as at the completion of the acquisition of PL 98 under the Assets Sale Agreement in respect of PL 98, ATP 548P, ATP 269P Coolum/Byrock, ATP 269PG, PL 184, PEP 150 and PEP 151.

The Shares to be issued to the IOR Entities and Evolve as part of the consideration will be restricted from trading for a period of 12 months after their allotment.

4.3 **Conditions Precedent**

Completion of the acquisition of Assets under the IOR Energy Upstream Assets Sale Agreements is conditional on, amongst other things, the required consents being obtained from the relevant joint venture parties and the government authorities in respect of the Assets and the entry into the Subscription Agreement by the Company and New Hope.

4.4 **Termination**

The parties may terminate the IOR Energy Upstream Assets Sale Agreements if, amongst other things, the conditions precedent are not satisfied or if a party fails to comply with a material term of the IOR Energy Upstream Assets Sale Agreements or a warranty is breached which results in a material loss to the other party.

5 **Details about New Hope**

New Hope is an ASX listed (ASX Code: NHC) independent energy company which has open cut mines at Acland on the Darling Downs, and at Rosewood near Ipswich. New Hope focuses on niche marketing of its thermal coal and exports around 80% of coal production to Asia Pacific markets including Japan, Taiwan, Korea and Chile with the remainder being consumed by customers in south-east Queensland.

New Hope also holds various exploration tenements in central Queensland and on the Darling Downs in southern Queensland. New Hope's investments include a 100% shareholding in Queensland Bulk Handling, a common user coal export terminal at the Port of Brisbane, and significant land holdings around Ipswich and near its mining operations at Acland.

With its head office in Ipswich, New Hope manages each step in the coal chain of production, from exploring and mining the mineral, through to delivering it to customers.

New Hope is controlled by Washington H. Soul Pattinson and Company Limited.

Further information on New Hope is available from its website:
<http://www.newhopecoal.com.au>

6 **Reasons for the resolution**

Section 606 of the Corporations Act prohibits, subject to various specified exceptions, a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition, that person's or someone else's voting power in the company increases:

- (a) from less than 20% to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined under section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest. In broad terms, a person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

The increase of Mattvale's voting power as a result of the issue of the Subscription Shares would breach section 606(1) of the Corporations Act in the absence of an applicable exception.

Section 611 item 7 of the Corporations Act provides an exception to the prohibition in section 606 if the shareholders of the company approve an acquisition of voting shares at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their associates.

Shareholder approval is sought pursuant to section 611 item 7 of the Corporations Act for the issue of the Subscription Shares to Mattvale, which will result in Mattvale acquiring a relevant interest in more than 20% of the issued voting Shares in the Company.

7 Effect of the Transaction on the capital structure

Capital Structure

- (1) The following table 1 indicates Bridgeport's capital structure as at the date of this Notice.

Table 1

Securities	Number
Shares	96,921,928
Existing Options	30,187,200

- (2) As at the date of this Notice, the percentage of issued Shares held by substantial shareholders of the Company is as set out in Table 2.

Table 2

Substantial holding	Number	%
Marilei International Ltd	9,000,000	9.29
Omnia SA	6,533,333	6.74
HSBC Custody Nominees	6,533,333	6.74
Mr David Fite	6,375,000	6.58
Cartet Group Ltd	6,191,667	6.39
Breakout Holdings Pty Ltd	5,504,844	5.68
Althea SA	5,241,667	5.41
Remaining Shareholders	51,542,084	53.18
TOTAL	96,921,928	100.00

- (3) The Company's capital structure after the issue of the Subscription Shares, assuming the acquisition of all of the Assets under the IOR Energy Upstream Assets Sale Agreements is completed and 4,700,000 Shares are issued by the Company as part payment of the consideration for the Assets and assuming none of the existing Options are exercised, will be as set out in Table 3 below.

Table 3

Securities	Number
Shares	157,682,534
Options	30,187,200

Effect of the Transaction on Mattvale and New Hope's voting power**(1) Allottees and persons with relevant interests**

The proposed allottee of the Subscription Shares is Mattvale Pty Ltd, a wholly owned subsidiary of New Hope.

Mattvale and New Hope do not have a relevant interest in any securities, and has no voting power, in the Company at the date of this Notice.

(2) New Hope's and Mattvale's associates

Mattvale's associates in respect of the Company are as follows:

- (a) New Hope;
- (b) Washington H. Soul Pattinson and Company Limited
- (c) New Acland Coal Pty Ltd
- (d) Jeebropilly Collieries Pty Ltd
- (e) New Hope Collieries Pty Ltd
- (f) Tivoli Collieries Pty Ltd
- (g) Acland Pastoral Co Pty Ltd
- (h) Tivoli Coal (Hawaii) Pty Ltd
- (i) Seven Mile Coal Pty Ltd
- (j) New Oakleigh Coal Pty Ltd
- (k) New Saraji Coal Pty Ltd
- (l) New Lenton Coal Pty Ltd
- (m) New Hope Services Pty Ltd
- (n) Andrew Wright Holdings Pty Ltd
- (o) Tetard Holdings Pty Ltd
- (p) Fowlers Engineering Pty Ltd
- (q) New Hope Exploration Pty Ltd
- (r) Arkdale Pty Ltd
- (s) Queensland Bulk Handling Pty Ltd
- (t) New Hope Water Pty Ltd
- (u) New Hope Coal Marketing Pty Ltd
- (v) New Hope Finance Pty Ltd
- (w) Heuridge Pty Ltd
- (x) eCOALogical Fuels Pty Ltd
- (y) Uniford Pty Ltd

- (z) Robert Charles Neale
- (aa) Kevin Patrick Standish
- (bb) Matthew James Busch
- (cc) Robert Dobson Millner
- (dd) David John Fairfull
- (ee) Peter Raymond Robinson
- (ff) David Charles Williamson
- (gg) William Hamilton Grant

(New Hope Associates).

Each of the New Hope Associates will also be deemed to have the same relevant interest as New Hope and Mattvale in the Shares issued to be issued to Mattvale under the Subscription Agreement, by virtue of the operation of section 608(3) of the Corporations Act.

(3) New Hope's and Mattvale's voting power

After the issue of Subscription Shares, assuming the acquisition of all of the Assets under the IOR Energy Upstream Assets Sale Agreements is completed and 4,700,000 Shares are issued by the Company as part payment of the consideration for the Assets and assuming none of the Options are exercised and the Substantial Shareholders do not change their Share holding in the Company, the percentage of issued Shares held by the Substantial Shareholders, and the maximum extent of increase in Mattvale's voting power in the Company, will be as set out in Table 4 below.

Table 4

Substantial holding	Number	%
Mattvale	56,060,606	35.55
Marilei International Ltd	9,000,000	5.71
Omnia SA	6,533,333	4.14
HSBC Custody Nominees	6,533,333	4.14
Mr David Fite	6,375,000	4.04
Cartet Group Ltd	6,191,667	3.93
Breakout Holdings Pty Ltd	5,504,844	3.49
Althea SA	5,241,667	3.32
Remaining Shareholders	56,242,084	35.68
TOTAL	157,682,534	100.0

Accordingly, after completion of the Transaction, assuming that the acquisition of all of the Assets under the IOR Energy Upstream Assets Sale Agreements is completed and none of the existing Options have been exercised, New Hope and each New Hope Associate will have a relevant interest in 56,060,606 Shares, and the voting

power in the Company held by New Hope and each of the New Hope Associates will increase from 0% to 35.55%.

- (4) After the issue of Subscription Shares, assuming the acquisition of all of the Assets under the IOR Energy Upstream Assets Sale Agreements is completed and 4,700,000 Shares are issued by the Company as part payment of the consideration for the Assets and assuming all of the Options are exercised and the Substantial Shareholders do not change their Share holding in the Company, the percentage of issued Shares held by the Substantial Shareholders, and the maximum extent of increase in Mattvale's voting power in the Company, will be as set out in Table 5 below.

Table 5

Substantial holding	Number	%
Mattvale	56,060,606	29.84
Mr David Fite	10,125,000	5.39
Marilei International Ltd	9,000,000	4.79
Omnia SA	7,666,666	4.08
HSBC Custody Nominees	7,666,665	4.08
Cartet Group Ltd	7,208,335	3.84
Breakout Holdings Pty Ltd	7,204,844	3.84
Althea SA	6,208,334	3.30
Remaining Shareholders	76,729,284	40.84
TOTAL	187,869,734	100.0

Accordingly, after completion of the Transaction, assuming that the acquisition of all of the Assets under the IOR Energy Upstream Assets Sale Agreements is completed and all of the existing Options have been exercised, New Hope and each New Hope Associate will have a relevant interest in 56,060,606 Shares, and the voting power in the Company held by New Hope and each of the New Hope Associates will increase from 0% to 29.84%.

9

New Hope's intentions

Other than as described in this Notice, New Hope:

- (1) have no present intention of making any changes to the business of the Company;
- (2) have no present intention of injecting further capital into the Company;
- (3) have no present intentions to affect or substantially change the continued or future employment of the current employees of the Company;
- (4) have no present intention regarding any proposal whereby any property will be transferred between the Company and New Hope or any person associated with any of them;
- (5) have no present intention to redeploy the fixed assets of the Company; and

- (6) have no present intention to change significantly the financial or dividend policies of the Company.

These statements are based on the present intentions of New Hope on the basis of facts and information concerning the Company and the existing circumstances that affect the Company that are known to New Hope at date of the Notice. These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

10 **Appointment of new director**

Under the Subscription Agreement, New Hope can nominate 1 person to act as a director of the Company upon completion of the Transaction. New Hope proposes to appoint Mr Robert Neale as a director to the board of Bridgeport.

Mr R.C. NEALE - BSc.(Hons) MAICD, MAIMM, (Managing Director)

Mr Neale has more than 40 years experience in the mining and exploration industries covering coal, base metals, gold, synthetic fuels, bulk materials shipping, and power generation. He joined New Hope in 1996 as General Manager, and has been Chief Executive Officer since 2005. He was appointed to the board in November 2008.

He also holds the following current Directorships:

- Australian Coal Association Appointed 2005
- Australian Coal Research Limited Appointed 2005
- Australian Coal Association Low Emissions Technologies Ltd Appointed 2006
- Planet Gas Limited Appointed 2009
- WestSide Corporation Limited Appointed 2010
- Queensland Resources Council Appointed 2009

11 **Directors' Report**

ASIC Regulatory Guide 74 recommends that shareholders be provided with an analysis of whether the proposal to be presented is fair and reasonable to the non-associated shareholders.

The Corporations Act does not require that shareholders be provided with an independent expert's report. The Directors have undertaken a detailed examination of the proposed Transaction, based on their own expertise and experience, and have prepared a report on whether the issue of the Subscription Shares to New Hope is fair and reasonable to Shareholders not associated with New Hope.

A copy of the Directors' report is contained in Annexure A of this Notice, which Shareholders should read carefully and seek their own independent professional advice, if necessary.

12 **Summary of Directors' analysis of the Transaction**

12.1 **Advantages of voting in favour of the Transaction**

The Directors consider that the advantages of voting for the Transaction include:

- (1) Access to funding to acquire the Assets from the IOR Entities

The funds raised through the issue of the Subscription Shares will be primarily used to acquire the Assets from the IOR Entities. If Resolution 1 is not approved by Shareholders, the Company may not be able to complete the acquisition of the Assets from the IOR Entities.

- (2) The acquisition of the Assets under the IOR Energy Upstream Assets Sale Agreements is on a positive net present value (NPV) basis, which will result in an uplift in valuation per Share for existing shareholders.

- (3) Potential access to funding for other opportunities as they may arise.
- (4) Valuable industry experience and business relationships brought by New Hope and New Hope's nominated director to the Board.
- (5) Substantial interest to be invested by New Hope would provide the Company with greater scale and capital base, and enable the Company to more easily fund its growth plans.
- (6) Potential for growth arising from the Transaction may provide a greater level of interest from future investors.
- (7) Potential further business opportunities could arise from the relationship with New Hope.

12.2 Disadvantages of voting in favour of the Transaction

The Directors consider that the disadvantages of voting for the Transaction include:

(1) Dilution of interest

The issue of all of the Subscription Shares will result, ultimately, in the substantial dilution of the existing Shareholders. The tables in section 8 show the potential maximum level of dilution of existing Shareholders after the issue of the Subscription Shares (depending on whether existing Options are fully exercised).

(2) Potential control by New Hope

New Hope will hold approximately 35.55% of the Company's Shares on issue upon Completion of the Transaction (before existing Options are exercised and assuming all of the Assets are acquired under the IOR Energy Upstream Assets Sale Agreements). New Hope will, in those circumstances, hold sufficient Shares to independently veto special resolutions put to Shareholders, including resolutions to amend the Constitution of the Company or to conduct corporate restructures such as schemes of arrangement or selective capital reductions. However, New Hope will not be able to, without the support of other Shareholders, independently pass ordinary resolutions put to Shareholders in respect of the ordinary business of the Company such as the composition of the Company's Board and the issue of new share capital.

The issue of the Subscription Shares may deter the making of a future takeover bid for the Company as New Hope will hold a large substantial stake in the Company.

12.3 Disadvantages of not voting in favour of Resolution 1

The Directors consider that the disadvantages of voting against the Transaction include:

(1) Loss of significant strategic opportunity

The Transaction represents a significant strategic opportunity for the Company to acquire the Assets from the IOR Entities. A vote against Resolution 1 may result in a loss of this opportunity for the Company.

If the Transaction is not completed, the Directors may consider alternative sources of fundraising for the acquisition of the Assets.

If Resolution 1 is not approved and the Transaction is not completed, the IOR Entities and/or the Company may decide to terminate the IOR Energy Upstream Assets Sale Agreements.

(2) **Termination of Subscription Agreement**

If Resolution 1 is not approved the Company will not issue the Subscription Shares to New Hope and New Hope will not pay the subscription funds to the Company. The New Hope nominee will not be appointed to the Board.

13 **Directors' recommendation**

The Directors have prepared the Directors' Report, and formed the opinion that the proposal to issue the Subscription Shares to New Hope is fair and reasonable to non-associated Shareholders, and compared the advantages and disadvantages of the proposal which are set out in section 12. In the Directors' opinion, the advantages of the proposal considerably outweigh the disadvantages.

In light of these reasons and the conclusions of the Directors on the fairness and reasonableness of the proposal to the non-associated Shareholders, the Directors recommend that Shareholders approve Resolution 1.

No Director of the Company has an interest in Resolution 1, save for any interest they share in common with other Shareholders arising out of their shareholdings in the Company. All of the Directors voted in favour of the proposal to put Resolution 1 to Shareholders.

Pitt Capital Partners Limited has been retained by the Company to assist it in raising funds for the acquisition of the Assets. Pitt Capital Group will be paid a fee of 5% of the funds raised under the Subscription Agreement for its services. The Chairman of Pitt Capital Group, Mr Robert Millner, is also the Chairman of New Hope.

This Explanatory Memorandum and the Directors' Report are intended to provide the necessary information as set out in Regulatory Guide 74 for Shareholders to make a decision on the matter proposed in Resolution 1 and Shareholders should read them in full before making a decision.

Glossary

Assets	means the petroleum tenement assets to be acquired under the IOR Energy Upstream Assets Sale Agreements.
Associate	has the meaning given to the term in the Corporations Act.
ASIC	Australian Securities and Investments Commission.
Company or Bridgeport	Bridgeport Energy Limited ACN 137 446 952
Completion	Completion of the Transaction under the Subscription Agreement.
Corporations Act	The <i>Corporations Act</i> 2001 (Cth), including the regulations made under it.
Directors	The directors of Bridgeport.
Dollar or \$	Australian dollar.
Evolve	Evolve Cleaner Fuels for Cleaner Air Pty Ltd
IOR Entities	each of IOR Exploration Pty Ltd ABN 16 057 379 012, Inland Oil (Production) Pty Ltd ABN 41 069 468 444, Moroil Pty Ltd ABN 22 063 437 892 and Inland Oil Resources Pty Ltd ABN 78 066 878 662
IOR Energy Upstream Assets Sale Agreements	means: <ul style="list-style-type: none">• the Asset Sale Agreement (PL 98, ATP 548P, ATP 269P Coolum/Byrock, ATP 269P G, PL 184, PEP 150 and PEP 151) between the Company, Bridgeport (Eromanga) Pty Ltd and the IOR Entities dated 21 January 2011; and• the Asset Sale Agreement (ATP 259P Naccowlah Block and Jackson Load-Out Facility) between the Company, Bridgeport (Eromanga) Pty Ltd and Inland Oil (Production) Pty Ltd which is expected to be finalised around the end of January 2011.
Mattvale	Mattvale Pty Ltd ACN 147 961 475, a wholly owned subsidiary of New Hope.
Meeting	General meeting of Shareholders to be held on 21 February 2011.
New Hope	New Hope Corporation Limited ACN 010 653 844
Notice or Notice of Meeting	The Notice of Meeting and the accompanying Explanatory Memorandum.
Ordinary resolution	A resolution passed by at least 50% of the votes cast by members entitled to vote on a resolution.
Shares	Fully paid ordinary shares in Bridgeport.
Shareholders	The holders of Shares.
Subscription Agreement	Means the subscription agreement between the Company, New Hope and Mattvale dated 21 January 2011.
Subscription Shares	50,060,606 fully paid ordinary shares in Bridgeport to be issued to Mattvale under the Subscription Agreement.
Substantial Shareholders	means the Shareholders with a substantial holding, as defined in the Corporations Act, in the Company.
Transaction	The subscription by New Hope, and the issue by Bridgeport, of the Subscription Shares under the Share Subscription Agreement.

Annexure A

Directors' Report

Bridgeport Director's Analysis of the Transaction

The Directors have prepared this report by undertaking a detailed examination of the Transaction. The terms of the proposed issue of shares to New Hope has been previously outlined in detail in the Explanatory Memorandum.

In preparing this analysis, the Directors have taken into account the likely advantages and disadvantages of the IOR transaction and the issue of shares to New Hope.

1. Reasons for the Transaction

The amount payable for the Subscription Shares under the Transaction will be primarily used for the acquisition of Assets from the IOR Entities under the IOR Energy Upstream Assets Sale Agreements.

Without the cash received from the issue of shares to New Hope, Bridgeport may not be able to complete the acquisition of the IOR Assets. The strategic rationale for acquiring the IOR Assets is as follows:

- i) Bridgeport is acquiring the Assets at an attractive discount to valuation.
- ii) The valuation uplift that Bridgeport shareholders receive from the acquisition is significant. Bridgeport shareholders recently had the opportunity to subscribe for shares in the company via a recent rights issue at \$0.30 per Share. The post IOR asset acquisition valuation is calculated to be \$0.49 per Share on a fully diluted basis. This represents an uplift in the value of the Shares of 63%.
- iii) The acquisition will substantially increase the size and value of the company. The Bridgeport Directors currently value the company at approximately \$48 million. Post acquisition this value will increase to approximately \$84 million. The key assumptions on which these valuations are based are set out in section 2 below. The acquisition increases the value of the company by 75%.
- iv) The acquisition allows existing shareholders to participate in future growth of the Company without contributing further capital. New Hope is funding the acquisition and Bridgeport shareholders will share in the benefits of the acquisition without contributing further capital.
- v) The acquisition introduces a large financial investor that has significant resources to contribute to the future development of Bridgeport. New Hope is a large ASX listed company with significant cash and human resources that may benefit Bridgeport in the future.

The effect on the capital structure of the Transaction has been previously detailed in the Explanatory Memorandum.

2. Valuation Considerations

Valuation Methodology

To estimate the fair market value of the shares in Bridgeport the Directors have considered common market practice and valuation methodologies. These are discussed below.

Market Based Methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent share trading history
- industry specific methods

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is used where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb are less accurate than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the fair market values of the net assets of a company but does not take account of realisation costs.

Asset based methods discount the possibility that the company's value could exceed the realisable value of its assets as they disregard the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

Selection of valuation methodologies

Bridgeport has applied a sum of the parts methodology to determine the net present value ("NPV") of Bridgeport shares, including the following key assets and valuation methodologies.

- (a) The Bridgeport operated Utopia asset and IOR's PL98 developed assets are valued using the discounted cash flow method, due to the following factors:

- Bridgeport's management has prepared long term cash flow forecasts for these assets, including capital cost requirements and corporate costs.
 - These assets have a finite life and thus it is not appropriate to use a capitalisation of maintainable earnings approach.
 - Bridgeport is not listed and therefore does not have a share trading history
- (b) Exploration assets are valued using an Estimated Monetary Value ("EMV") approach based on the estimated resources of these assets. This is a rule of thumb methodology that has been used by Bridgeport.
- (c) The 2P reserves from IOR's non operated fields are valued using \$20 per barrel of 2P reserve.

Empirical studies and past market transactions have given a typical value of franking credits in the range of 60% to 90%. The directors have applied a value for franking credits of 70% to the discounted cash flows.

The valuation summary for the IOR Acquisition is as follows:

	Bridgeport Standalone	Inland Oil Fields	Bridgeport + IOR
Total 2P Reserves (bbl)	1,800,000	1,098,000	2,898,000
	NPV (\$)	NPV (\$)	NPV (\$)
PV of Cashflows (Utopia/PL98) @12%	42,502,170	22,214,217	64,716,386
Add: Value of Other Assets		3,960,000	3,960,000
Add: EMV of Exploration Assets	2,400,000	10,000,000	12,400,000
Less: PV of Exploration, Seismic & Corp Costs	-5,291,394	-3,390,000	-8,681,394
Value of Franking Credits (@70%)	8,703,165	3,261,696	11,964,860
Total Bridgeport NPV	48,313,940	36,045,912	84,359,853
Undiluted NPV/share	0.50		0.53
Diluted NPV/share	0.44		0.49
# Ordinary Shares	96,921,928		157,682,534
# 20c Options	22,500,000		22,500,000
# 35c Options	7,687,200		7,687,200

Main Assumptions

Oil Price (USD)	85.00
Exchange Rate (1AUD:USD)	0.95
Oil Price Escalation Rate	2.5%
Cost Inflation	3.0%
Cost of Capital	12.0%
Value of Franking Credits	70.0%
Tax Rate	30.0%

	IOR	BEL
Projection Period (Yrs)	7	11
Trucking Costs (\$ per bbl)	13.90	12.00
Royalties	10%	12%
Base Vertical Well Cost	\$1.10m	\$1.00m
Abandonment Costs per Well	\$0.12m	\$0.10m
Annual Operating Expense	\$1.30m	\$1.04m
Ownership	100%	60%

In determining whether the proposal is fair, the Director's compared the value of Bridgeport Shares pre-transaction with the value of Bridgeport Shares post-transaction.

Accordingly, the value of a Bridgeport share is \$0.44 per Share before the completion of the Transaction and the acquisition of the Assets and \$0.49 per Share after the completion of the Transaction and the acquisition of the Assets, on a fully diluted basis. Based on these values, the directors concluded that the transaction is fair.

3. Control Premium

The Directors have considered the proposal and are of the opinion that New Hope is not paying a control premium due to the following reasons:

- i) New Hope has not sought, nor been granted a control position, during the negotiations with Bridgeport.
- ii) As has been described earlier in this Notice, New Hope:
 - (a) have no present intention of making any changes to the business of the Company;
 - (b) have no present intention of injecting further capital into the Company;
 - (c) have no present intentions to affect or substantially change the continued or future employment of the current employees of the Company;
 - (d) have no present intention regarding any proposal whereby any property will be transferred between the Company and New Hope or any person associated with any of them;
 - (e) have no present intention to redeploy the fixed assets of the Company; and
 - (f) have no present intention to change significantly the financial or dividend policies of the Company.

All of these items can be influenced by an entity in control and New Hope have not sought to vary any of these items.

These statements are based on the present intentions of New Hope on the basis of facts and information concerning the Company and the existing circumstances that affect the Company that are known to New Hope at date of the Notice. These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

- iii) New Hope will nominate one Director as part of the transaction. This is not reflective of a controlling shareholder which would have a number of directors proportionate to their shareholding of the company.

At this point in time, there are no further transactions planned with New Hope.

4. Discount to NPV

Using the valuation methodology described above, the proposed issue of shares at 33 cents per Share represents a 25% discount to the Bridgeport standalone valuation of 44 cents per share. The Directors believe that the discount is reasonable for the following reasons:

- (a) The standalone valuation of Bridgeport excluding any value of future franking credits is 37 cents (i.e. value of franking credits contributes 7 cents per Share to the standalone valuation). With a surplus of over \$544 million of franking credits available in New Hope's franking account as at 31st July 2010, New Hope currently does not place any value on potential future franking credits. Excluding the value of franking credits, the 33 cents issue price represents an 11% discount to the standalone valuation.
- (b) Further valuation upside to 49 cents per Share (valuation of the combined Bridgeport and IOR Assets) is contingent upon being able to raise funds for the acquisition of the Assets.
- (c) The Director's valuation is an internal valuation only comprising mainly of a discounted cashflow valuation and EMV. Although the Company has used robust assumptions in preparing the valuations (and tested valuations against comparable peers), valuations through financial modelling are predictive in character and maybe affected by a change in assumptions or by known or unknown risks and uncertainties.
- (d) The Directors have reviewed the valuations to several comparable listed companies. Although the valuations are consistent amongst its listed peers, Bridgeport is currently not listed and therefore does not offer any direct liquidity for shareholders. As such, the market will generally apply a discount for unlisted companies relative to listed companies.
- (e) General market conditions for raising capital has been severely constrained after the events of the global financial crisis. To date, equity markets are still limited and access to funds for unlisted companies have been difficult, in which companies have to offer discounts to valuation to attract capital.