



LAKES OIL NL
ACN 004 247 214

Notice of Annual General Meeting

Explanatory Statement and Proxy Form

Date of Meeting:
16 January 2017

Time of Meeting:
10:00 AM (AEDST)

Place of Meeting:
Baker & McKenzie
Level 19
181 William Street
Melbourne Victoria, 3000

*This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.
If shareholders are in doubt as to how they should vote, they should seek advice from their
accountant, solicitor or other professional advisor without delay*

LAKES OIL NL

ACN 004 247 214

Registered office: Level 14, 500 Collins Street, Melbourne, Victoria, 3000

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Members of Lakes Oil NL (the "Company") will be held at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria, 3000 at 10:00 am (AEDST) on Monday 16 January 2017.

AGENDA

The Explanatory Statement and proxy form which accompany and form part of this Notice, describe in more detail the matters to be considered. Please consider this Notice, the Explanatory Statement and the proxy form in their entirety.

Receipt and consideration of Accounts & Reports

To receive and consider the financial report of the Company and the related reports of the Directors (including the Remuneration Report) and auditors for the year ended 30 June 2016.

Note: Except for as set out in Resolution 1, there is no requirement for shareholders to approve these reports. Accordingly no resolution will be put to shareholders on this item of business.

Resolution 1: Adoption of Remuneration Report

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

"That for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report (included in the Directors' report) for the financial year ended 30 June 2016 be adopted."

Resolution 2: Election of Mr Christopher Tonkin as a Director of the Company

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

"That Mr Christopher Tonkin, having been appointed to the Board of Directors during the year, retires as a director in accordance with the Constitution of the Company and being eligible for election, be elected as a director of the Company."

Resolution 3: Re-election of Prof. Ian Plimer as a Director of the Company

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

"That Prof. Ian Plimer, being a director who retires pursuant to the Constitution of the Company and being eligible for re-election offers himself for re-election, is hereby re-elected as a Director of the Company."

Resolution 4: Re-election of Mr William Stubbs as a Director of the Company

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

"That Mr William Stubbs, being a director who retires pursuant to the Constitution of the Company and being eligible for re-election offers himself for re-election, is hereby re-elected as a Director of the Company."

Resolution 5: Approval to Issue Shares to Directors

Resolution 5(a), 5(b), 5(c), 5(d), 5(e) and 5(f)

Resolution 5(a)

That for the purpose of Listing Rule 10.11 and for all other purposes, shareholder approval is given for the Company to issue Mr Barney Berold (or his nominee), a Director of the Company, 8,333,334 fully paid ordinary shares in the event Barney decides to take shares in lieu of a physical cash payment in relation to 50% of directors fees for the period 1 July 2016 to 31 December 2016, and on the basis as set out in the accompanying Explanatory Memorandum.

Resolution 5(b)

That for the purpose of Listing Rule 10.11 and for all other purposes, shareholder approval is given for the Company to issue Mr Nicholas Mather (or his nominee), a Director of the Company, 8,333,334 fully paid ordinary shares in the event Nicholas decides to take shares in lieu of a physical cash payment in relation to 50% of directors fees for the period 1 July 2016 to 31 December 2016, and on the basis as set out in the accompanying Explanatory Memorandum.

Resolution 5(c)

That for the purpose of Listing Rule 10.11 and for all other purposes, shareholder approval is given for the Company to issue Mr Kyle Wightman (or his nominee), a Director of the Company, 8,333,334 fully paid ordinary shares in the event Kyle decides to take shares in lieu of a physical cash payment in relation to 50% of directors fees for the period 1 July 2016 to 31 December 2016, and on the basis as set out in the accompanying Explanatory Memorandum.

Resolution 5(d)

That for the purpose of Listing Rule 10.11 and for all other purposes, shareholder approval is given for the Company to issue Mr William Stubbs (or his nominee), a Director of the Company, 8,333,334 fully paid ordinary shares in the event William decides to take shares in lieu of a physical cash payment in relation to 50% of directors fees for the period 1 July 2016 to 31 December 2016, and on the basis as set out in the accompanying Explanatory Memorandum.

Resolution 5(e)

That for the purpose of Listing Rule 10.11 and for all other purposes, shareholder approval is given for the Company to issue Mr Christopher Tonkin (or his nominee), a Director of the Company, 8,333,334 fully paid ordinary shares in the event Christopher decides to take shares in lieu of a physical cash payment in relation to 50% of directors fees for the period 1 July 2016 to 31 December 2016, and on the basis as set out in the accompanying Explanatory Memorandum.

Resolution 5(f)

That for the purpose of Listing Rule 10.11 and for all other purposes, shareholder approval is given for the Company to issue Prof. Ian Plimer (or his nominee), a Director of the Company, 8,333,334 fully paid ordinary shares in the event Ian decides to take shares in lieu of a physical cash payment in relation to 50% of directors fees for the period 1 July 2016 to 31 December 2016, and on the basis as set out in the accompanying Explanatory Memorandum.

Resolution 6: Approval of Proposed Issue of Shares to Directors

Resolution 6(a), 6(b), 6(c), 6(d), 6(e) and 6(f)

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

“That for the purpose of Listing Rule 10.11 and for all other purposes, and pursuant to an ASX waiver granted, shareholder approval is given for the Company to issue to the Directors of the Company (or their nominees) fully paid ordinary shares in satisfaction of 50% of directors’ fees payable to them, on the basis as set out in the accompanying Explanatory Memorandum.”

Resolution 7: Ratification of Prior Share Issue

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

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders approve, ratify and approve the allotment and issue on 29 June 2016 of a total of 70,166,666 fully paid ordinary shares in the Company, with 54,166,666 fully paid ordinary shares issued at \$0.001 (0.1 cents) per share to the Chief Executive Officer of the Company, and 16,000,000 fully paid ordinary shares issued at \$0.002 (0.2 cents) per share to an employee of the Company.”

Resolution 8: Ratification of Prior Grant of Options

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

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders approve, ratify and confirm the allotment and grant of 58,000,000 unlisted options on 8 January 2016 to employees of the Company as described in the Explanatory Statement.”

Resolution 9: Increase in Aggregate Non-Executive Director Remuneration

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

“That for the purposes of rule 8.3(a) of the Constitution, Listing Rule 10.17 and for all other purposes, the maximum aggregate annual Directors’ fees payable to non-executive Directors, for the years from and including the year commencing 1 July 2016, be increased to \$300,000 per annum.”

Resolution 10: NavGas Acquisition and Share Issue

That for the purposes of Section 611 Item 7 of the Corporations Act, ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 9,600,000,000 shares to:

- (a) Dark Horse Resources Limited as to 9,278,407,344 shares;*
 - (b) Douglas Haynes as to 122,511,492 shares; and*
 - (c) Peter Bubendorfer (Peter A J Bubendorfer Family A/C) as to 199,081,164 shares,*
- on the basis set out in the Explanatory Memorandum, and as a consequence of which Dark Horse Resources Limited will have a 43.07% shareholding interest in the Company (having regard to the current number of shares on issue and excluding any impact of converting notes).*

Resolution 11: Repeal and replacement of Constitution

To consider and, if thought fit, pass the following Resolution as a special resolution:

*“That, in accordance with section 136 of the Corporations Act, the Constitution be repealed and replaced with a constitution in the form of the document entitled “Constitution of Lakes Oil NL” tabled at this Meeting (the “**Replacement Constitution**”), and signed by the Chairman for the purposes of identification, with effect from the close of this Meeting.”*

The Corporations Act requires that, in order for Resolution 11 to be effective, it must be passed as a special resolution, which requires 75% of votes cast on the Resolution (whether by Shareholders in person, or by proxy or by attorney and entitled to vote on the Resolution) to be in favour.

Resolution 12: Approval of 10% Placement Facility

To consider and, if thought fit, pass the following resolution as a special resolution:

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement”

DATED this 13th day of December 2016 at Melbourne.

By order of the Board



Melanie Leydin
Company Secretary

Notes

1. **Entire Notice:** The details of the resolutions contained in the Explanatory Statement accompanying this Notice of Meeting should be read together with, and form part of, this Notice of Meeting.
2. **Record Date:** The Company has determined that for the purposes of the Annual General Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm on the date 48 hours before the date of the Annual General Meeting will be taken, for the purposes of the Meeting, to be held by the persons who held them at that time. Only those persons will be entitled to vote at the Annual General Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.
3. **Proxies**
 - a. Votes at the Annual General Meeting may be given personally or by proxy, attorney or representative.
 - b. Each shareholder has a right to appoint one or two proxies.
 - c. A proxy need not be a shareholder of the Company.
 - d. If a shareholder is a company it must execute under its common seal or otherwise in accordance with its constitution.
 - e. Where a shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.
 - f. If a shareholder appoints two proxies, and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes. If a shareholder appoints two proxies, neither proxy may vote on a show of hands.
 - g. A proxy must be signed by the shareholder or his or her attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with corporation's constitution and Corporations Act.
 - h. To be effective, proxy forms must be received by the Company's share registry (Computershare Investor Services Pty Limited) no later than 48 hours before the commencement of the Annual General Meeting, this is no later than 10.00am (AEDST) Melbourne time on Saturday 14 January 2017. Any proxy received after that time will not be valid for the scheduled meeting.

4. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

5. Voting Exclusion Statement:

Resolution 1

The Company will disregard any votes cast on this resolution (in any capacity) by or on behalf of a member of the Key Management Personnel (being those persons described as such in the Remuneration Report) or a closely related party of such a member unless the vote cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Any undirected proxies held by Directors or other Key Management Personnel or their closely related parties for the purposes of Resolution 1 (excluding the Chairman) will not be voted on Resolution 1. Accordingly, if you intend to appoint a member of Key Management Personnel as your proxy, please ensure that you direct them how to vote. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him to vote by marking the box for Resolution 1. By marking the Chairman's box on the proxy form you acknowledge that the Chairman of the meeting will vote in favour of this item of business as your proxy. The Chairman will vote undirected proxies in favour of Resolution 1.

Resolution 2

There are no voting exclusions on this resolution.

Resolution 3

There are no voting exclusions on this resolution.

Resolution 4

There are no voting exclusions on this resolution.

Resolution 5

A vote in respect of this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

The Company will disregard any votes cast on resolutions 5(a), 5(b), 5(c), 5(d), 5(e) and 5(f) by a member of the Key Management Personnel or a Closely Related party of such member ("Proxy Voter") where they are acting as proxy in contravention of section 250BD of the Corporations Act.

A vote may be cast by a Proxy Voter where the vote is not cast on behalf of the Proxy Voter and either:

- (a) the proxy form specifies how that Proxy Voter is to vote; or
- (b) that Proxy Voter is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.

Resolution 6

A vote in respect of this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

The Company will disregard any votes cast on resolutions 6(a), 6(b), 6(c), 6(d), 6(e) and 6(f) by a Director, or a member of the Key Management Personnel or a Closely Related party of such member ("Proxy Voter") where they are acting as proxy in contravention of section 250BD of the Corporations Act.

A vote may be cast by a Proxy Voter where the vote is not cast on behalf of the Proxy Voter and either:

- (a) the proxy form specifies how that Proxy Voter is to vote; or
- (b) that Proxy Voter is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.

Resolution 7

The Company will disregard any votes cast on this resolution by any person who participated in the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast by a person as a 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.

Resolution 8

The Company will disregard any votes cast on Resolution 8 by any person who participated in the relevant issues and any associates of those persons.

However the Company need not disregard a vote if it is cast:

- by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- by the Chairman of the meeting as proxy for a person who is entitled to vote and who does not specify the way the proxy is to vote.

Resolution 9

The Company will disregard any votes cast on Resolution 9 by:

- (a) a Director or any associate of a Director; or
- (b) a member of the Key Management Personnel or a Closely Related Party of such a member.

However, the Company need not disregard a vote on Resolution 9 if:

- (a) it is cast by a person who is otherwise excluded from voting on this Resolution (as described in paragraph (a) or (b) above), as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote and who does not specify the way the proxy is to vote.

Resolution 10

The Company will disregard any votes cast on this resolution by any person who will be a recipient of the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast by a person as a 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.

Resolution 11

There are no voting exclusions on this resolution.

Resolution 12

The Company will disregard any votes cast on Resolution 12 by any person who may participate in the proposed issue or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of such person.

6. Enquiries

Shareholders are invited to contact the Company Secretary, Melanie Leydin on (03) 9692 7222 if they have any queries in respect of the matters set out in these documents.

EXPLANATORY STATEMENT

Receipt and consideration of Accounts & Reports

A copy of the Annual Report for the financial year ending 30 June 2016 (which incorporates the Company's financial report, reports of the Directors (including the Remuneration Report and the Auditors Report) is not enclosed as there is no longer a requirement for the Company to incur the printing and distribution cost associated with doing so for all shareholders. You may obtain a copy free of charge in hard copy form by contacting the Company by phone at (03) 9629 1566, and you may request that this occurs on a standing basis for future years. Alternatively you may access the annual report at the Company's website: www.lakesoil.com.au or via the Company's announcement platform on ASX. Except for as set out in Resolution 1, no resolution is required on these reports.

Resolution 1: Adoption of Remuneration Report

Background

Section 250R(3) of the Corporations Act requires that a resolution to adopt the remuneration report must be put to the vote at the Annual General Meeting. The vote on this Resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report is set out in the Directors' Report in the Company's 2016 Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

In accordance with Section 250SA of the Corporations Act 2001, Shareholders will be provided with a reasonable opportunity to ask questions concerning, or make comments on, the remuneration report at the Annual General Meeting.

The Corporations Act requires the Company to put a resolution to Shareholders that, in accordance with Division 9 of Part 2G.2 of the Corporations Act, if twenty five (25%) per cent or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive Annual General Meetings, Shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) must go up for re-election.

It is noted that at the Company's last Annual General Meeting, the votes cast against the remuneration report represented less than twenty five (25%) per cent of the total votes cast and accordingly, a spill resolution will not under any circumstances be required for the Annual General Meeting.

Directors Recommendation

Noting that each Director has a personal interest in their own remuneration from the Company (as such interests are described in the Remuneration Report) and, as described in the voting exclusions on this resolution (set out in the Notice of AGM), that each Director (or any Closely Related Party of a Director) is excluded from voting their shares on this resolution, the Directors unanimously recommend that shareholders vote in favour of Resolution 1 to adopt the Remuneration Report.

Voting Exclusions

The Company will disregard any votes cast on this resolution (in any capacity) by or on behalf of a member of the Key Management Personnel (being those persons described as such in the Remuneration Report) or a closely related party of such a member unless the vote cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Any undirected proxies held by Directors or other Key Management Personnel or their closely related parties for the purposes of Resolution 1 (excluding the Chairman) will not be voted on Resolution 1. Accordingly, if you intend to appoint a member of Key Management Personnel as your proxy, please ensure that you direct them how to vote. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him to vote by marking the box for Resolution 1. By marking the Chairman's box on the proxy form you acknowledge that the Chairman of the meeting will vote in favour of this item of business as your proxy. The Chairman will vote undirected proxies in favour of Resolution 1.

Resolution 2: Election of Mr Christopher Tonkin as a Director of the Company

Background

Mr Christopher Tonkin was appointed as a Non-Executive Director on 9 September 2015 as a casual vacancy and is eligible for election.

Mr Tonkin is a former Managing Director of Arafura Resources Limited (ASX:ARU) and is an Executive Director of advisory companies Catalyst Capital Solutions and Capital Advisory Services. He began his career as a metallurgist and environmental specialist and diversified into commercial roles at several major industrial companies and subsequently project finance, corporate and project advisory roles at AIDC, The Chase Manhattan Bank, KPMG Corporate Finance and ANZ, where his roles included Head of Project and Structured Finance and Head of Natural Resources. He has over 35 years' experience as a senior business executive with an extensive industry background in business development and management, finance and strategy development across all major industry sectors and particularly natural resources as an advisor and financier to the mining and metals and oil and gas industries.

Directors Recommendation

The Board (with Mr Tonkin abstaining), recommends that shareholders vote in favour of the election of Mr Tonkin. The Chairman of the meeting intends to vote undirected proxies in favour of Mr Tonkin's election.

Voting Exclusions

There are no voting exclusions on this resolution.

Resolution 3: Re-election of Prof. Ian Plimer as a Director of the Company

Background

At every Annual General Meeting, one third of the Directors (subject to Article 60.2) or if their number is not a whole multiple of three (3) then the number nearest to but not exceeding one third shall retire from office provided that no Director (except a Managing Director) may retain office for more than three (3) years or until the third Annual General Meeting following his appointment, whichever is the longer, without submitting himself for re-election. Professor Ian Plimer being eligible, offers himself for re-election.

Professor Ian Plimer was appointed to the Board in January 2013. He is Emeritus Professor at the University of Melbourne where he was Professor and Head of the School of Earth Sciences (1991-2005). He was Professor of Geology (University of Newcastle 1985-1991) and Professor of Mining Geology (University of Adelaide 2005-2012). He has been awarded the Leopold von Buch Medal for Science, the Centenary Medal, The Eureka Prize (twice) and is Fellow of the Academy of Technological Sciences and Engineering, a fellow of the Geological Society of London and a Fellow of the Australasian Institute of Mining and Metallurgy. Professor Plimer has published more than 130 scientific papers and is author of multiple best-selling books for the general public.

Directors Recommendation

The Board (with Prof. Plimer abstaining), recommends that shareholders vote in favour of the re-election of Prof. Plimer. The Chairman of the meeting intends to vote undirected proxies in favour of Prof. Plimer's re-election.

Voting Exclusions

There are no voting exclusions on this resolution.

Resolution 4: Re-election of Mr William Stubbs as a Director of the Company

Background

At every Annual General Meeting, one third of the Directors (subject to Article 60.2) or if their number is not a whole multiple of three (3) then the number nearest to but not exceeding one third shall retire from office provided that no Director (except a Managing Director) may retain office for more than three (3) years or until the third Annual General Meeting following his appointment, whichever is the longer, without submitting himself for re-election. Mr William Stubbs being eligible, offers himself for re-election.

William (Bill) Stubbs was appointed to the Board in 2012. He is a lawyer of 40 years' experience, having practiced in the area of commercial law including stock exchange listings and all areas of mining law. Mr Stubbs has been a

Director of various public companies over the past 27 years in the mineral exploration and biotech fields. He is the former Chairman of Alchemia Limited, Stradbroke Ferries Limited and Bemax Resources Limited which discovered and developed extensive mineral sands resources in the Murray Basin. He was the founding Chairman of Arrow Energy NL. Mr. Stubbs currently acts as the Non-Executive Chairman of DGR Global Limited (appointed in 2009) and Chairman of the Advisory Board of TetraQ – the commercial arm of the centre for integrated pre-clinical drug development of the University of Queensland. He also serves as a Non-Executive Director of Armour Energy Ltd (appointed in 2009).

Directors Recommendation

The Board (with Mr Stubbs abstaining), recommends that shareholders vote in favour of the re-election of Mr Stubbs. The Chairman of the meeting intends to vote undirected proxies in favour of Mr Stubbs' re-election.

Voting Exclusions

There are no voting exclusions on this resolution.

Resolution 5(a), 5(b), 5(c), 5(d), 5(e) and 5(f) - Approval to Issue Shares to Directors

Resolutions 5(a), 5(b), 5(c), 5(d), 5(e) and 5(f) of the Notice seek shareholder approval for the purpose of Listing Rule 10.11 and all other purposes for the issue of up to 56,390,977 fully paid ordinary shares to Directors as consideration for 50% of outstanding directors fees for the period 1 July 2016 to 31 December 2016. The Directors seek shareholder approval on this resolution in the event that they decide to take shares in lieu of the Company making a physical cash payment for the outstanding amounts owing to Directors. The deemed issue price of the shares are set out in the table below, being the higher of \$0.001 (0.1 cents) or the monthly VWAP in arrears for each month worth of Directors' fees accrued.

In the announcement released by the Company on 29 June 2016, the directors agreed to reduce their fees by 33% from 1 July 2016 until a date to be agreed and, subject to shareholder approval, to pay 50% of the reduced fee by way of shares (instead of cash), being the subject of this resolution.

It is the view of Directors that the proposed issue of shares pursuant to Resolutions 5(a), 5(b), 5(c), 5(d), 5(e), and 5(f) fall within the exception under section 211 of the Corporations Act (reasonable remuneration) given the circumstances of the Company and the position held by the Directors. Accordingly, the Directors are not seeking shareholder approval under section 208 of the Corporations Act, although shareholder approval must be obtained pursuant to ASX Listing Rule 10.11.

The following is a table of the outstanding Directors' fees payable and the number of shares that could be issued to each of the Directors of the Company if approval is provided:

| Director | Monthly Fees Accrued | Deemed issue price (cents) | | | | | |
|-----------------------|----------------------|----------------------------|--------|--------|--------|--------|--------|
| | | Jul-16 | Aug-16 | Sep-16 | Oct-16 | Nov-16 | Dec-16 |
| Mr Nicholas Mather | \$1,389 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 |
| Mr Barney Berold | \$1,389 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 |
| Mr William Stubbs | \$1,389 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 |
| Mr Christopher Tonkin | \$1,389 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 |
| Prof. Ian Plimer | \$1,389 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 |
| Mr Kyle Wightman | \$1,389 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 |

| Director | No. of shares to be issued if approval is provided | | | | | | Total no. shares |
|-----------------------|--|------------------|------------------|------------------|------------------|------------------|-------------------|
| | Jul -16 | Aug-16 | Sep-16 | Oct-16 | Nov-16 | Dec-16 | |
| Mr Nicholas Mather | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 8,333,334 |
| Mr Barney Berold | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 8,333,334 |
| Mr William Stubbs | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 8,333,334 |
| Mr Christopher Tonkin | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 8,333,334 |
| Prof. Ian Plimer | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 8,333,334 |
| Mr Kyle Wightman | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 1,388,889 | 8,333,334 |
| Totals | 8,333,334 | 8,333,334 | 8,333,334 | 8,333,334 | 8,333,334 | 8,333,334 | 50,000,004 |

The Non-Executive Directors have agreed to reduce their fees by 33% from 1 July 2016 until a date to be agreed and, subject to shareholder approval, to pay 50% of the reduced fee by way of shares (instead of cash), being the subject of this resolution.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the company. Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the shares to the Directors as approval is being obtained under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 5(a), 5(b), 5(c), 5(d), 5(e), and 5(f):

- (a) the related parties are Mr Nicholas Mather, Mr Barney Berold, Mr William Stubbs, Mr Christopher Tonkin, Prof. Ian Plimer, and Mr Kyle Wightman and they are related parties by virtue of being Directors of the Company;
- (b) the maximum number of Shares to be issued by the Company is 50,000,004 under Resolutions 5(a), 5(b), 5(c), 5(d), 5(e), and 5(f) comprising:
 - (i) 8,333,334 fully paid ordinary shares to Mr Nicholas Mather (or his nominee) - Resolution 5(a);
 - (ii) 8,333,334 fully paid ordinary shares to Mr Barney Berold (or his nominee) - Resolution 5(b);
 - (iii) 8,333,334 fully paid ordinary shares to Mr William Stubbs (or his nominee) - Resolution 5(c);
 - (iv) 8,333,334 fully paid ordinary shares to Mr Christopher Tonkin (or his nominee) - Resolution 5(d);
 - (v) 8,333,334 fully paid ordinary shares to Prof. Ian Plimer (or his nominee) - Resolution 5(e); and
 - (vi) 8,333,334 fully paid ordinary shares to Mr Kyle Wightman (or his nominee) - Resolution 5(f)
- (c) the Shares will be issued not later than one month after the date of the AGM (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that the allotment will occur on the same date;
- (d) the Shares will be issued as satisfaction for \$50,004 in fees (which represents 50% of the reduced directors fee for the period 1 July 2016 to 31 December 2016) at a deemed issue price calculated using the higher of \$0.001 (0.1 cents) or the monthly VWAP in arrears for each month in which the fees were accrued; and
- (e) there will not be any funds raised through the issue of the shares, but the Company will reduce its liabilities by \$50,004.

A voting exclusion statement is included in the Notice of Meeting of which this Explanatory Memorandum forms part.

Resolution 6: Approval of Proposed Issue of Shares to Directors

Resolution 6(a), 6(b), 6(c), 6(d), 6(e) and 6(f)

Resolution 6 of the Notice seeks shareholder approval for the purpose of Listing Rule 10.11 and all other purposes for the future issue of fully paid ordinary shares to Directors of the Company as consideration for 50% of the director's fees payable to them for the period from 1 January 2017 to 30 November 2017. The Directors seek shareholder approval on this resolution to take shares in lieu of the Company making a physical cash payment for 50% of future Directors fees owed. The deemed issue price of the shares will be determined by reference to the monthly VWAP of ordinary shares each month, when the fees are due and payable, subject to a floor price of \$0.001 (0.1 cents) per share. The Shares will be issued to Mr Barney Berold, Mr Nicholas Mather, Mr Kyle Wightman, Mr William Stubbs, Mr Christopher Tonkin and Prof. Ian Plimer (or their respective nominees) within 10 business days of the end of each month.

As noted earlier in this Explanatory Memorandum, It is the view of Directors that the proposed issue of shares pursuant to Resolutions 6(a), 6(b), 6(c), 6(d), 6(e) and 6(f) falls within the exception under section 211 of the Corporations Act (reasonable remuneration) given the circumstances of the Company and the position held by the Directors. Accordingly, the Directors are not seeking shareholder approval under section 208 of the Corporations Act, although shareholder approval must be obtained pursuant to ASX Listing Rule 10.11.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the company. Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the shares to the Directors as approval is being obtained under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- (a) the related parties are Mr Barney Berold, Mr Nicholas Mather, Mr Kyle Wightman, Mr William Stubbs, Mr Christopher Tonkin and Prof. Ian Plimer and they are related parties by virtue of being Directors of the Company;
- (b) the maximum number of Shares to be issued by the Company will be determined by dividing the monthly directors' fees payable by the monthly VWAP (subject to a floor price of \$0.001 0.1 cents) per share) in arrears for each month from 1 January 2017 until 30 November 2017;
- (c) the Company has requested an ASX waiver from the requirement that the Shares be issued within one month after the date of the AGM and, should the request be successful, allotment will occur on a monthly basis when the directors' fees become payable and within 10 business days of the end of each month;
- (d) any fractions of Shares resulting from the calculation will be rounded down to the nearest whole number;
- (e) the Shares will be issued as satisfaction for 50% of monthly directors fees of up to \$91,667 for the period payable to Directors at a deemed issue price calculated as the monthly VWAP in arrears for each month from 1 January 2017 until 30 November 2017 (subject to a floor price of \$0.001 (0.1 cents) per share);
- (f) there will not be any funds raised through the issue of securities but the Company will be able to reduce its liabilities by up to \$91,667 for the period from 1 January 2017 until 30 November 2017.

A voting exclusion statement is included in the Notice of Meeting of which this Explanatory Memorandum forms part.

The Company's annual report for any period during which the shares are issued to M Mr Barney Berold, Mr Nicholas Mather, Mr Kyle Wightman, Mr William Stubbs, Mr Christopher Tonkin and Prof. Ian Plimer (or their nominees) shall disclose the details of the number of shares that were issued to them, including the percentage of the Company's issued capital represented by those shares.

The relevant interests of the Related Parties in Shares of the Company and the potential future voting power of each Director based on the future issues of Shares in lieu of Directors fees are set out below:

| Related Party | Shares currently held | % Voting power | Maximum Shares to be issued under Resolutions 6(a), 6(b), 6(c), 6(d), 6(e), and 6(f)* | % increase in voting power for individual dilution* | % Voting power* |
|-----------------------|-----------------------|----------------|---|---|-----------------|
| Mr Nicholas Mather | Nil | N/A | 15,277,779 | 0.13% | 0.13% |
| Mr Barney Berold | 54,157,778 | 0.45% | 15,277,779 | 0.12% | 0.58% |
| Mr William Stubbs | 6,000,000 | 0.05% | 15,277,779 | 0.13% | 0.18% |
| Mr Christopher Tonkin | 6,500,000 | 0.05% | 15,277,779 | 0.13% | 0.18% |
| Prof. Ian Plimer | Nil | N/A | 15,277,779 | 0.13% | 0.13% |
| Mr Kyle Wightman | 3,000,000 | 0.03% | 15,277,779 | 0.13% | 0.15% |
| TOTAL | 69,657,778 | 0.58% | 91,666,674 | 0.77% | 1.35% |

**Note: These figures are based on the maximum number of shares that will be issued under Resolutions 6(a), 6(b), 6(c), 6(d), 6(e) and 6(f) as it has been assumed that the floor issue price of \$0.001 (0.1 cents) is the deemed issue price. In certain circumstances whereby the preceding months VWAP traded on the ASX is materially greater than \$0.001 the absolute cumulative number of shares in aggregate to be issued over the 11 month period from 1 January 2017 to 30 November 2017 and their corresponding voting power may be materially less than that outlined in the table.*

Resolution 6(a) – Approval of Proposed Issue of Shares to Mr Nicholas Mather

Resolution 6(a) of the Notice seeks shareholder approval for the purpose of Listing Rule 10.11 and all other purposes for the future issue of fully paid ordinary shares to Mr Nicholas Mather as consideration for 50% of directors' fees payable to him for the period from 1 January 2017 to 30 November 2017. The deemed issue price of

the shares will be determined by reference to the monthly VWAP of ordinary shares each month, when the fees are due and payable, subject to a floor price of \$0.001 (0.1 cents) per share.

| Related Party | Shares currently held | % Voting power | Maximum Shares to be issued under Resolution 6(a) approval* | Shares held post Resolution 6(a) approval* | % Voting power post Resolution 6(a) approval* |
|--------------------|-----------------------|----------------|---|--|---|
| Mr Nicholas Mather | Nil | N/A | 15,277,779 | 15,277,779 | 0.13% |

**Note: These figures are based on the maximum number of shares that will be issued under Resolution 6(a) as it has been assumed that the floor issue price of \$0.001 (0.1 cents) is the deemed issue price. In certain circumstances whereby the preceding months VWAP traded on the ASX is materially greater than \$0.001 the absolute cumulative number of shares in aggregate to be issued over the 11 month period from 1 January 2017 to 30 November 2017 and their corresponding voting power may be materially less than that outlined in the table.*

Resolution 6(b) – Approval of Proposed Issue of Shares to Mr Barney Berold

Resolution 6(b) of the Notice seeks shareholder approval for the purpose of Listing Rule 10.11 and all other purposes for the future issue of fully paid ordinary shares to Mr Barney Berold as consideration for 50% of directors' fees payable to him for the period from 1 January 2017 to 30 November 2017. The deemed issue price of the shares will be determined by reference to the monthly VWAP of ordinary shares each month, when the fees are due and payable, subject to a floor price of \$0.001 (0.1 cents) per share

| Related Party | Shares currently held | % Voting power | Maximum Shares to be issued under Resolution 6(b) approval* | Shares held post Resolution 6(b) approval* | % Voting power post Resolution 6(b) approval* |
|------------------|-----------------------|----------------|---|--|---|
| Mr Barney Berold | 54,157,778 | 0.45% | 15,277,779 | 69,435,557 | 0.58% |

**Note: These figures are based on the maximum number of shares that will be issued under Resolution 6(b) as it has been assumed that the floor issue price of \$0.001 (0.1 cents) is the deemed issue price. In certain circumstances whereby the preceding months VWAP traded on the ASX is materially greater than \$0.001 the absolute cumulative number of shares in aggregate to be issued over the 11 month period from 1 January 2017 to 30 November 2017 and their corresponding voting power may be materially less than that outlined in the table.*

Resolution 6(c) – Approval of Proposed Issue of Shares to Mr William Stubbs

Resolution 6(c) of the Notice seeks shareholder approval for the purpose of Listing Rule 10.11 and all other purposes for the future issue of fully paid ordinary shares to Mr William Stubbs as consideration for 50% of directors' fees payable to him for the period from 1 January 2017 to 30 November 2017. The deemed issue price of the shares will be determined by reference to the monthly VWAP of ordinary shares each month, when the fees are due and payable, subject to a floor price of \$0.001 (0.1 cents) per share.

| Related Party | Shares currently held | % Voting power | Maximum Shares to be issued under Resolution 6(c) approval* | Shares held post Resolution 6(c) approval* | % Voting power post Resolution 6(c) approval* |
|-------------------|-----------------------|----------------|---|--|---|
| Mr William Stubbs | 6,000,000 | 0.05% | 15,277,779 | 21,277,779 | 0.18% |

**Note: These figures are based on the maximum number of shares that will be issued under Resolution 6(c) as it has been assumed that the floor issue price of \$0.001 (0.1 cents) is the deemed issue price. In certain circumstances whereby the preceding months VWAP traded on the ASX is materially greater than \$0.001 the absolute cumulative number of shares in aggregate to be issued over the 11 month period from 1 January 2017 to 30 November 2017 and their corresponding voting power may be materially less than that outlined in the table.*

Resolution 6(d) – Approval of Proposed Issue of Shares to Mr Christopher Tonkin

Resolution 6(d) of the Notice seeks shareholder approval for the purpose of Listing Rule 10.11 and all other purposes for the future issue of fully paid ordinary shares to Mr Christopher Tonkin as consideration for 50% of directors' fees payable to him for the period from 1 January 2017 to 30 November 2017. The deemed issue price of the shares will be determined by reference to the monthly VWAP of ordinary shares each month, when the fees are due and payable, subject to a floor price of \$0.001 (0.1 cents) per share.

| Related Party | Shares currently held | % Voting power | Maximum Shares to be issued under Resolution 6(d) approval* | Shares held post Resolution 6(d) approval* | % Voting power post Resolution 6(d) approval* |
|-----------------------|-----------------------|----------------|---|--|---|
| Mr Christopher Tonkin | 6,500,000 | 0.05% | 15,277,779 | 21,777,779 | 0.18% |

**Note: These figures are based on the maximum number of shares that will be issued under Resolution 6(d) as it has been assumed that the floor issue price of \$0.001 (0.1 cents) is the deemed issue price. In certain circumstances whereby the preceding months VWAP traded on the ASX is materially greater than \$0.001 the absolute cumulative number of shares in aggregate to be issued over the 11 month period from 1 January 2017 to 30 November 2017 and their corresponding voting power may be materially less than that outlined in the table.*

Resolution 6(e) – Approval of Proposed Issue of Shares to Prof. Ian Plimer

Resolution 6(e) of the Notice seeks shareholder approval for the purpose of Listing Rule 10.11 and all other purposes for the future issue of fully paid ordinary shares to Prof. Ian Plimer as consideration for 50% of directors' fees payable to him for the period from 1 January 2017 to 30 November 2017. The deemed issue price of the shares will be determined by reference to the monthly VWAP of ordinary shares each month, when the fees are due and payable, subject to a floor price of \$0.001 (0.1 cents) per share

| Related Party | Shares currently held | % Voting power | Maximum Shares to be issued under Resolution 6(e) approval* | Shares held post Resolution 6(e) approval* | % Voting power post Resolution 6(e) approval* |
|------------------|-----------------------|----------------|---|--|---|
| Prof. Ian Plimer | Nil | N/A | 15,277,779 | 15,277,779 | 0.13% |

**Note: These figures are based on the maximum number of shares that will be issued under Resolution 6(e) as it has been assumed that the floor issue price of \$0.001 (0.1 cents) is the deemed issue price. In certain circumstances whereby the preceding months VWAP traded on the ASX is materially greater than \$0.001 the absolute cumulative number of shares in aggregate to be issued over the 11 month period from 1 January 2017 to 30 November 2017 and their corresponding voting power may be materially less than that outlined in the table.*

Resolution 6(f) – Approval of Proposed Issue of Shares to Mr Kyle Wightman

Resolution 6(f) of the Notice seeks shareholder approval for the purpose of Listing Rule 10.11 and all other purposes for the future issue of fully paid ordinary shares to Mr Kyle Wightman as consideration for 50% of directors' fees payable to him for the period from 1 January 2017 to 30 November 2017. The deemed issue price of the shares will be determined by reference to the monthly VWAP of ordinary shares each month, when the fees are due and payable, subject to a floor price of \$0.001 (0.1 cents) per share

| Related Party | Shares currently held | % Voting power | Maximum Shares to be issued under Resolution 6(f) approval* | Shares held post Resolution 6(f) approval* | % Voting power post Resolution 6(f) approval* |
|------------------|-----------------------|----------------|---|--|---|
| Mr Kyle Wightman | 3,000,000 | 0.03% | 15,277,779 | 18,277,779 | 0.15% |

**Note: These figures are based on the maximum number of shares that will be issued under Resolution 6(f) as it has been assumed that the floor issue price of \$0.001 (0.1 cents) is the deemed issue price. In certain circumstances whereby the preceding months VWAP traded on the ASX is materially greater than \$0.001 the absolute cumulative number of shares in aggregate to be issued over the 11 month period from 1 January 2017 to 30 November 2017 and their corresponding voting power may be materially less than that outlined in the table.*

Directors Recommendations

The Directors of the Company believe that Resolution 6 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

Voting Exclusions

A vote in respect of this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

The Company will disregard any votes cast on resolutions 6(a), 6(b), 6(c), 6(d), 6(e) and 6(f) by a Director, or a member of the Key Management Personnel or a Closely Related party of such member ("Proxy Voter") where they are acting as proxy in contravention of section 250BD of the Corporations Act.

A vote may be cast by a Proxy Voter where the vote is not cast on behalf of the Proxy Voter and either:

- (a) the proxy form specifies how that Proxy Voter is to vote; or
- (b) that Proxy Voter is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.

Resolution 7: Ratification of Prior Share Issue

The Company is seeking Shareholder approval to ratify the issue of a total of 70,166,666 fully paid ordinary shares in the Company, with 54,166,666 fully paid ordinary shares issued at \$0.001 (0.1 cents) per share to the Chief Executive Officer of the Company, and 16,000,000 fully paid ordinary shares issued at \$0.002 (0.2 cents) per share to an employee of the Company."

ASX Listing Rule 7.4 provides that a company may reinstate its capacity to issue up to 15% of the ordinary securities on issue in a 12 month period if shareholders ratify the previous issue of securities and the issue did not breach Listing Rule 7.1.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of fully paid ordinary shares in the Company that were issued is 70,166,666;
- (b) the Shares were allotted and issued as follows:
 - i. Mr Roland Sleeman
54,166,666 fully paid ordinary shares
Issue price \$0.001 (0.1 cents) per share
 - ii. Mr Theo Theophanous
16,000,000 fully paid ordinary shares
Issue price \$0.002 (0.2 cents) per share
- (c) the Shares allotted and issued rank equally with the existing Shares on issue;
- (d) there were no funds raised from the issue of shares.

Board Recommendation

The Board unanimously recommends that the Shareholders vote in favour of Resolution 7.

Voting Exclusions

The Company will disregard any votes cast on this resolution by any person who participated in the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast by a person as a 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.

Resolution 8: Ratification of prior issue of options

The Company is seeking shareholder approval to ratify the grant of 58,000,000 unlisted options over the Company's shares to employees of the Company on 8 January 2016.

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue or agree to issue during any twelve (12) month period, any equity securities or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that a company may reinstate its capacity to issue up to 15% of the ordinary securities on issue in a 12 month period if shareholders ratify the previous issue of securities.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of unlisted options in the Company that were granted is 58,000,000;
- (b) the unlisted options are exercisable at \$0.005 (0.5 cents) on or before 8 January 2021 and pursuant to the terms as set out in Annexure B. Shares issued upon exercise of the options will rank equally with the existing Shares on issue;
- (c) the unlisted options were allotted and issued to employees of the Company;
- (d) the unlisted options were issued for a Nil consideration, and there were no funds raised from their grant however any funds raised upon exercise of the options will be applied to the working capital requirements of the Company at the time of exercise; and
- (e) a voting exclusion statement is included in the Notice of Annual General Meeting of which this Explanatory Statement forms part and is set out again below.

Board Recommendation

The Board unanimously recommends that the shareholders vote in favour of Resolution 8.

Voting Exclusions

The Company will disregard any votes cast on Resolution 8 by any person who participated in the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast:

- by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- by the Chairman of the meeting as proxy for a person who is entitled to vote and who does not specify the way the proxy is to vote.

Resolution 9: Increase in Aggregate Non-Executive Director Remuneration

Shareholder approval is sought to increase the maximum aggregate fees paid to non-executives of the Board to \$300,000 per annum. Shareholder approval is sought under rule 8.3(a) of the Constitution and Listing Rule 10.17.

The Board considers it appropriate to increase the Maximum Fees Cap, to take account of:

- the bring the maximum fee cap in line with the current size and composition of non-executive Directors; and
- the need to enable incremental increases as required over time; and
- the need for appropriate succession planning.

It is imperative that the Company remains able in the future to attract and retain non-executive directors with the appropriate experience, expertise, skills and diversity to oversee the Company's business and strategic direction.

Shareholders should also note that, if the proposed new Maximum Fees Cap is approved, it will not necessarily represent the full sum paid to non-executive Directors each financial year. The Company will in future continue to set the actual level of remuneration of its non-executive Directors within the Maximum Fees Cap, having regard to independent external advice, market practice, Board performance and other appropriate factors.

The remuneration of each non-executive Director for the financial year ended 30 June 2016 is detailed in the Annual Report. No executive Director receives fees for their services as a Director.

As required by Listing Rule 10.17, there were no securities issued to the Company's non-executive Directors under Listing Rule 10.11 or 10.14 within the preceding three years:

Board Recommendation

Given their interest in the outcome of this resolution, the Directors do not make any recommendation on how Shareholders vote in respect of Resolution 9.

Voting Exclusions

The Company will disregard any votes cast on Resolution 9 by:

- (a) a Director or any associate of a Director; or
- (b) a member of the Key Management Personnel or a Closely Related Party of such a member.

However, the Company need not disregard a vote on Resolution 9 if:

- (a) it is cast by a person who is otherwise excluded from voting on this Resolution (as described in paragraph (a) or (b) above), as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote and who does not specify the way the proxy is to vote.

Resolution 10: NavGas Acquisition and Share Issue

1. Background

On 5 October 2016 Lakes Oil advised that it had entered into a Heads of Agreement with Dark Horse Resources Limited to acquire the remaining 96% interest in NavGas Pty Ltd which is the holder of Queensland and South Australian petroleum exploration acreage that has excellent potential for future production of gas, condensate and/or oil.

That announcement stated that the Proposed Transaction was subject to a number of conditions including shareholder approval which is now being sought, and that shareholders would be provided an Independent Expert's Report on the fairness and reasonableness of the acquisition.

The proposed transaction announcement was subsequent to the earlier announcement by the Company of a 4% purchase of interest in Navgas.

2. Resolution

Shareholders are being asked to consider and if thought fit pass the following resolution as an ordinary resolution:

That for the purpose of Section 611 Item 7 of the Corporations Act, ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 9,600,000,000 shares to:

- (a) Dark Horse Resources Limited as to 9,278,407,344 shares;
- (b) Douglas Haynes as to 122,511,492 shares; and
- (c) Peter Bubendorfer (Peter A J Bubendorfer Family A/C) as to 199,081,164 shares,

on the basis set out in the Explanatory Memorandum, and as a consequence of which Dark Horse Resources Limited will have a 43.07% shareholding interest in the Company (having regard to the current number of shares on issue and excluding any impact of converting notes).

3. Shareholder Approval Requirements

Shareholder approval is required under section 611 Item 7 of the Corporations Act as a consequence of Dark Horse Resources Limited obtaining a shareholding interest in excess of 20% of the Company, that being the deemed takeover threshold, namely 43.07% having regard to the current number of shares on issue and excluding any impact of the converting notes on conversion. Accordingly, shareholder approval is required in order to exceed this 20% threshold.

Shareholder approval is also being sought under ASX Listing Rule 7.1 which ordinarily restricts the issue of shares in any 12 month period to 15% of an entity's shares in the absence of an exception unless shareholder approval is obtained. The proposed shares to be issued would represent 80.40% of the current shares on issue in the Company and accordingly shareholder approval is required in order to exceed the 15% threshold.

4. Capital Structure

As at the date of this Notice of Meeting, the Company has the following number of securities on issue:

- 11,940,783,075 Shares
- 343,977 LKOGA Notes

- 137,729 LKOGB Notes
- 41,000,000 Options

If the resolution is passed and completion occurs, the total number of shares on issue will increase by 9,600,000,000.

5. Voting Power

As at the date of this Notice of Meeting, none of the recipients of the Proposed Issue of Shares have any shareholding in the Company. In the case of Dark Horse, it holds 40,000 LKOGB Notes but these do not carry voting rights until conversion.

The effect of the proposed share issue will be that Dark Horse will increase its shareholding interest from 0% to 43.07%. The other two proposed recipients of shares will increase their respective shareholdings from 0% to an aggregate percentage of 1.49%.

In other words, if shareholders approve the Proposed Transaction Dark Horse will control 43.07% of the Company's voting power and will have effective control over the Company.

6. Identity of Dark Horse

Dark Horse is listed on the ASX with the code "DHR". It is a diversified exploration company with interests in gold projects in the USA, numerous mineral licences in Australia, oil and gas projects in Australia, and coal and lithium projects in Argentina.

The Dark Horse annual report for the year ending 30 June 2016 was recently lodged on the ASX Announcements platform. It contains the following information:

- Details about its oil and gas projects in Australia the subject of the proposed transaction.
- Financial information.
- Details of its Directors (including Nick Mather as Chairman, who is also a Director of the Company).
- Shareholding information (with no shareholder having a more than 20% interest in it, and with DGR Global Limited having a 14.38% interest in it).
- Various other information as well.

Additional information about Dark Horse can be obtained from its other ASX announcements and from its website www.darkhorseresources.com.au.

7. NavGas Information

NavGas Pty Ltd is the entity which holds the Queensland and South Australian petroleum acreage, control of which will pass to the Company upon acquisition of Navgas. As previously announced by the Company, the Company presently owns a 4% interest in NavGas having purchased that interest for \$400,000. Dark Horse owns 92.78% of NavGas with the balance held by the other two recipients of shares under the resolution. Details of NavGas interests in South Australia and Queensland are as follows:

(a) South Australia Interests

| Permit application | Applicant/Tenement holder | Interest % | Area km ² |
|--------------------|---------------------------|------------|----------------------|
| PELA 577 | NAV GAS PTY LTD | 100 | 9672 |
| PELA 578 | NAV GAS PTY LTD | 100 | 9344 |
| PELA 579 | NAV GAS PTY LTD | 100 | 9902 |
| PELA 601 | NAV GAS PTY LTD | 100 | 8280 |
| PELA 602 | NAV GAS PTY LTD | 100 | 9593 |
| PELA 631 | NAV GAS PTY LTD | 100 | 5272 |

Pirie Torrens Basin Oil and Gas Project – South Australia

The Pirie Torrens Oil and Gas Project incorporates six Petroleum Exploration Licence Applications (PELAs) located in South Australia and covering approximately 53,000km² as outlined in Figure 1. The project was originally generated by Navgas on the basis of its potential prospectivity for unconventional shale gas.



Figure 1: Pirie Torrens Project area in South Australia held by NavGas

As part of a detailed review by Navgas of historical data for the South Australian shale gas project applications, records of an area of historic oil shows extending over 70km² at Wilkatana (within PELA 631) have been revealed. It is understood that this area has subsequently remained unexplored for the past 50 years (refer Figure 2).

The Wilkatana area appears to represent a super-giant Cambrian aged oil field which has been breached by erosion. Oil and gas shows occur in Cambrian reef limestones and adjacent Protorezoic aged Pound Quartzite and overlying Tertiary sediments.

The area to the north over the Torrens Hinge Zone covers an area of 2,200km² and plunges at a shallow angle to the north with potential for additional traps in Cambrian reef limestones and Protorezoic sandstone units in fold closures at the Torrens Hinge Zone and against Cambrian salt diapirs.

The Arrowie Basin, east of Lake Torrens, forms part of the Proterozoic - Cambrian aged Centralian Basin Group which in turn formed an element of an important transglobal equatorial generative oil field trend in the Proterozoic and Cambrian times (1.2bn to 600m years ago). This trend hosts important oilfields in the Sichuan Basin of southern China, the multibillion Barrel oil field at Talakan in Siberia and large oil fields in Oman. Similar dispositional conditions in the Arrowie basin underwrite the areas oil productivity, as evidenced by the Wilkatana project.

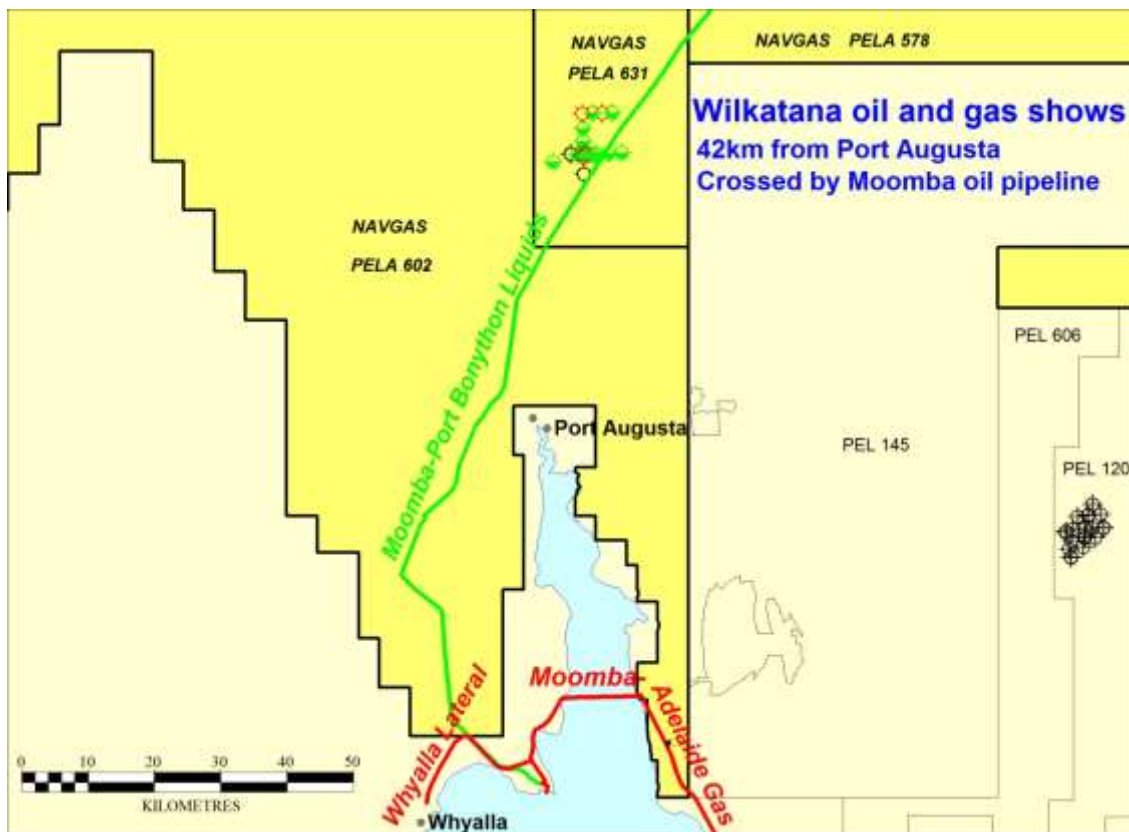


Figure 2: Location Map – Wilkatana oil field, South Australia

The Pirie Torrens Basin project area is favourably located adjacent to gas pipeline infrastructure and is positioned to take advantage of expected increases in local demand for gas in the eastern and southern states of Australia in the next five plus years, particularly given the gas exploration bans imposed in Victoria.

(b) Queensland Interests

| Permit application | Applicant/Tenement holder | Interest % | Area km ² |
|--------------------|---------------------------|------------|----------------------|
| ATP 1183 | NAVIGAS PTY LTD | 100 | 992 |

Roma Shelf Oil and Gas Project - Queensland

During 2014 Navgas was successful in tendering for ATP 1183 on the Roma Shelf in Queensland, which is considered highly prospective for oil, gas and condensate targets. The granted tenement area surrounds the Riverslea Oil Field and Major Gas/Condensate Field, both of which are excluded from the permit under Petroleum Leases (refer Figure 3).

The permit is for a period of 6 years and is currently expiring on 30th June 2020 and the Company has the option to renew the permit at the end of this term. The work required to be undertaken on the permit during this period is 6 wells and 100km of 2D seismic.

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum work requirements and associated indicative expenditure. Minimum commitments may be subject to renegotiation and with approval may otherwise be funded by sale, farm out or equity raisings.

The Directors intend to complete the work program as required during the permit period and provided that the results of the programs are viable the Directors intend to exercise their option to renew the permit for a further term.

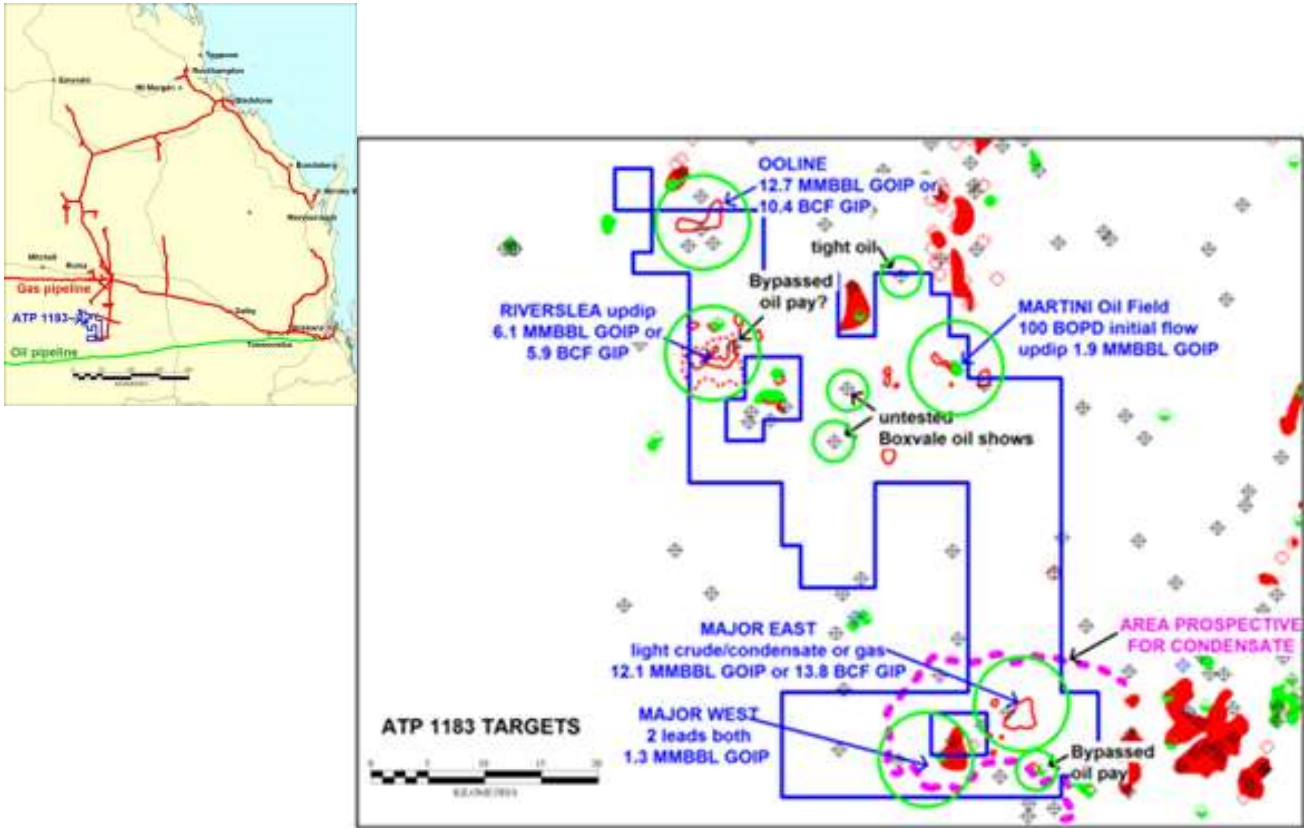


Figure 3: Location Map and Targets for the Roma Shelf project (ATP 1183)

Based on a reinterpretation of the existing seismic database and an analysis of petroleum wells drilled by previous explorers, Navgas considers that several promising conventional petroleum targets appear to exist within the Roma Shelf Project.

The Roma Shelf Project is situated in an area with established production facilities and infrastructure, and is well serviced by existing gas pipelines.

In 2015, Navgas was successful in having the tenure period for the Roma Shelf automatically extended from four to six years under amendments made to Queensland's Petroleum and Gas (Production and Safety) Act.

The Roma Shelf Project area has not been subject to modern exploration or 3D seismic techniques. Notwithstanding this, the success rate for all wildcat drilling in the area has been 37% for wells drilled on structural closure, which is considered high by industry standards.

The Roma Shelf has spawned many oil and gas producers in the past, including Hartogen, Crusader Oil, Beach Petroleum, Bridge Oil and AOG.

It is anticipated that gas shortages in Queensland, as a result of gas demand for export LNG projects, along with regulatory impediments in NSW and Victoria will result in sustained high gas prices in Eastern Australia over the next 10 years.

8. Reasons for the Proposed Transaction

The reasons for the proposed transaction are as follows:

- Exploration activity in Victoria for onshore gas is on hold as a consequence of recent decisions by the Victorian Government to prohibit onshore gas exploration activity within the state. The Company presently only has limited activities in relation to its other oil and gas interests. Accordingly it is intended that NavGas will be the principal focus of the Company's exploration effort over coming years.

On 27 October 2016, the Company announced that two of its wholly owned subsidiaries, Mirboo Ridge Pty Ltd and Petro Tech Pty Ltd, have filed an application in the Supreme Court of Victoria seeking Judicial Review of the Victorian Minister for Resources' various decisions to:

- Pre-emptively refuse to consider or accept any application for approval to conduct petroleum exploration operations onshore in Victoria; and
- Refuse to consider the Plaintiff's specific applications for approval to conduct petroleum exploration operations.

On 6 December 2016, the Company announced that it had filed a Writ in the Supreme Court of Victoria, initiating further legal proceedings to those announced on 27 October 2016. The quantum of damages claimed in the Writ exceeds \$2.7 billion. This figure includes some \$92 million of past expenditure and over \$2.6 billion in lost future earnings. The future earnings component is risk-weighted and is based upon loss of earnings from conventional gas resources only.

The Company will keep shareholders informed regarding the Judicial Review process as it progresses.

- The proposed transaction provides Lakes Oil an opportunity to acquire Queensland and South Australian acreage that has excellent potential for future production of gas, condensate and/or oil. It will also complement Lakes existing exploration acreage in Victoria and Queensland and will add promising acreage in South Australia. The proposed transaction provides Lakes Oil an opportunity to acquire Queensland and South Australian acreage that has excellent potential for future production of gas, condensate and/or oil. As outlined above, numerous exploration targets have already been independently identified within the Queensland acreage, while the South Australian acreage is known to contain oil in the Wilkatana prospect and gas in the massive Tindelpina shale formation.
- If shareholders approve the Proposed Transaction DHR will control 43.07% of LKO's voting power and DHR will have effective control over LKO.
- DGR has committed to provide a \$1.5 million underwriting for a future rights issue of shares subject to the proposed transaction completing. DGR's business is involved with the creation of resource exploration development and mining companies. This may provide a level of market confidence and may also support the future exploration activities of LKO both operationally and financially. However, it should be appreciated that the DGR underwriting is subject to Lakes Oil and DGR also agreeing detailed terms for a capital raising by rights issue. Accordingly the DGR commitment is presently conditional and no assurance can be provided that all requisite conditions will be satisfied.
- LKO currently holds a 4% minority interest in Navgas. If the Proposed Transaction is not approved, LKO will continue to hold a minority interest in Navgas without any control over the exploration activities of its assets and may not be able to readily dispose of this asset.
- If the Proposed Transaction is not approved, LKO may find it difficult to raise additional funds to support its future operations.

9. Final Transaction Documentation

The Heads of Agreement provided that it would be superseded by final transaction documentation. On 25 November 2016 the Company entered into definitive transaction documentation by way of a Share Purchase Agreement with the Vendors which supersedes the Heads of Agreement.

10. Final Transaction Documentation

Key terms of the Share Purchase Agreement are as follows:

- Purchase price - the deemed purchase price is \$9.6 million to purchase the remaining 96% interest in NavGas, comprising 9,600,000,000 shares in the Company at 0.1 cents each, valuing NavGas at \$10 million.

- Completion of the Transaction is conditional upon the satisfaction (or waiver, to the extent permitted by law) of the following conditions precedent:
 - (a) Lakes Oil obtaining all necessary regulatory and shareholder approvals required at law, pursuant to the ASX Listing Rules or pursuant to item 7 of s 611 Corporations Act , including obtaining an independent expert's report in relation to the Transaction, reporting on the fairness and reasonableness of the Transaction;
 - (b) Navgas having no debt when it is acquired by the Company;
 - (c) the Purchaser being satisfied (acting reasonably) that no Material Adverse Change in respect of Navgas has occurred between the Execution Date and Completion occurring; and
 - (d) the vendors being satisfied (acting reasonably) that no Material Adverse Change in respect of Lakes Oil has occurred between the Execution Date and Completion occurring;
- Warranties by Vendors – the Vendors have provided reasonable, customary and balanced warranties and indemnities reasonably requested by the including, without limitation, as to matters of title, encumbrances, liabilities and creditors, exemptions from disclosure, assets, intellectual property rights and litigation/claims. Customary limitations apply to warranties and indemnities provided by the Vendors, including without limitation, a de minimis amount per claim, a threshold below which claims cannot be brought, a maximum aggregate liability for all claims, disclosures against the warranties, no double recoveries, and recoveries against insurers and third parties prior to recovery against the Vendor .
- Warranties by Company – the Company has provided reasonable, customary and balanced warranties and indemnities reasonably requested by the Vendors. Customary limitations apply to warranties and indemnities provided by the Company, including without limitation, a de minimis amount per claim, a threshold below which claims cannot be brought, a maximum aggregate liability for all claims, disclosures against the warranties, no double recoveries, and recoveries against insurers and third parties prior to recovery against the Purchaser .
- Completion of the transaction is to take place within 5 Business Days after the Company secures the approval of Shareholders for the transaction.

11. Proposed Capital Raising

Under the Heads of Agreement and as announced to ASX on 6 October 2016, following completion of the acquisition by the Company of NavGas should it occur, the Company proposes to proceed with a capital raising that will afford all shareholders the opportunity to participate through a rights issue of shares on the following basis:

- The Company will issue a prospectus for the capital raising in accordance with section 713 of the Corporations Act. Among other things the prospectus will contain all information that investors will require to make an informed assessment of the offer and its effect on the Company.
- The Company has a conditional arrangement in place with DGR Global Limited for the proposed capital raising to be underwritten in the amount of \$1.5 million. However, it should be appreciated that the DGR underwriting is subject to Lakes Oil and DGR agreeing the terms of the capital raising. The DGR underwriting is also conditional on the conditions for their transaction being satisfied. Accordingly the DGR commitment is conditional and no assurance can be provided that these conditions will be satisfied.

DGR Global Limited is listed on the ASX under the code "DGR". Its chairman is Bill Stubbs (a Director of the Company) and a Director is Nick Mather (who is also a Director of the Company). DGR Global Limited is a 23.25% shareholder in Armour Energy Limited which is a 17.80% shareholder in the Company. DGR Global Limited is also a 14.38% shareholder in Dark Horse.

12. Independent Expert Report

As announced to ASX on 19 October 2016, the Company appointed DMR Corporate Pty Ltd as Independent Expert to submit to shareholders a report on the fairness and reasonableness of the Proposed Transaction.

The Independent Expert has determined that the proposed transaction is fair and reasonable.

The principal reasons for reaching the opinion are as follows:

Fairness

- a) The Independent Expert valued the Lakes Oil shares before the Proposed Transaction in a range of \$0.0005 to \$0.0006 per share on a control basis;
- b) The Independent Expert valued the Lakes Oil shares after the Proposed Transaction in the range of \$0.0005 to \$0.0006 per share on a minority basis; and
- c) As the minority value of a Lakes Oil share after the proposed transaction (\$0.0005 to \$0.0006) is equal to the control value of a Lakes Oil share before the Proposed Transaction (\$0.0005 to \$0.0006), the Independent Expert concluded that the Proposed Transaction is **fair**.

Reasonableness

The key reasons for assessing the Proposed Transaction as reasonable were:

- The Independent Expert assessed the Proposed Transaction as being fair and therefore it is reasonable.
- The Proposed Transaction provides LKO an opportunity to acquire Queensland and South Australian acreage that has excellent potential for future production of gas, condensate and/or oil. It will also complement LKO's existing exploration acreage in Victoria and Queensland and will add promising acreage in South Australia;
- Given LKO's current financial position, if shareholders do not approve the Proposed Transaction, we believe that LKO will need to urgently seek an alternative proposal. Any alternative proposal may be on substantially less advantageous terms than the Proposed Transaction; and
- As a consequent of the Victorian Government's decision to ban onshore gas exploration, the new exploration acreage, subject to the Proposed Transaction, will be the principal focus of Lakes Oil's efforts.

A copy of the Independent Expert Report accompanies this documentation in **Appendix A** and it should be reviewed in its entirety.

13. Risk Factors

The Company wishes to emphasise that oil and gas exploration by its very nature is speculative. The same risk factors that apply to the Company (including those described in the Company's 30 June 2016 prospectus) equally apply to NavGas. These risks include, the risks in relation to Investment Risk, Funding Risk, Moratorium Risk, Contractual Dispute Risk, Exploration Company Risk, Industry Nature Risk, Impairment of Non-Financial Assets Risk, Operating Risk, Commercial Discovery Risk, Reserve and Resource Estimates Risk, Regulatory Risk, Market Pricing Risk, Environmental Risk, Governmental Risk, and Native Title Risk.

The following risk factors are also potentially relevant and should be taken into account:

- Funding - the Company is in a tight financial position and will be dependent on a successful capital raising as described above in order to fund the expected NavGas expenditure moving forward as well as ongoing corporate costs and litigation costs relating to the Victorian Government ban on onshore oil and gas exploration. In relation to NavGas, approximately \$0.5 - 1million is expected to be required to cover its anticipated needs for the 12 months ending 31 December 2017. Prior to completion of the acquisition, the parties intend that any loans or creditors of NavGas to Dark Horse or third parties will be written off or satisfied by Dark Horse. If the acquisition of NavGas consummates, but the capital raising (which is to occur subsequently) does not complete satisfactorily then the financial position of Lakes Oil will be at risk.
- Warranty enforcement - Dark Horse has limited cash resources. If a warranty issue arises under the Share Purchase Agreement, it will be difficult to obtain cash compensation from Dark Horse without Dark Horse needing to sell its shareholding in the Company.
- Other - The South Australian acreage is by way of Petroleum Exploration Licence Applications. Lakes Oil's ability to proceed with exploration and, if exploration is successful, petroleum production activities is dependent upon Native Title arrangements being agreed.

14. Dark Horse Intentions

Dark Horse has advised the following in relation to its intentions:

- It does not propose any changes to the composition of the Company's Board of Directors.
- It has no intention to otherwise change the business of the Company.
- It has no intention to injecting capital into the Company, but reserves the right to proportionate participation in capital raisings.
- It has no intention of changing the future employment of present employees of the Company, noting that the Company is in a tight financial position and it is presently reviewing operational expenditure with a view to minimising costs.
- There are no other proposals where assets will be transferred from the Company to Dark Horse or its associates.
- It has no intention to otherwise redeploy the fixed assets of the Company.
- It has no intention to significantly change the financial policies of the Company.

15. Disclosure of Interests

The following disclosure of interests apply with respect to Dark Horse and DGR Global Limited:

- In the case of Nicholas Mather, he is a Director of Dark Horse Resources Limited, and a Director of DGR Global Limited. Nicholas Mather does not hold any shares in Lakes Oil N.L. Mr Mather has an interest in 28,447,897 shares in Dark Horse Resources Limited being a 0.04% interest. Mr Mather has an interest in 110,163,341 shares in DGR Global Limited being a 19.68% interest.
- In the case of William Stubbs, he is a Director of DGR Global Limited. William Stubbs holds 6,000,000 fully paid ordinary shares in Lakes Oil N.L. Mr Stubbs has an interest in 1,778,082 shares in DGR Global Limited being a 0.003% interest
- DGR Global Limited is a 23.25% shareholder in Armour Energy Limited which is a 17.80% shareholder in the Company. DGR Global Limited is also a 14.38% shareholder in Dark Horse.

16. Voting Exclusions

Each of Dark Horse Resources Limited, Doug Haynes, Peter Bubendorfer, and DGR Global Limited and their respective associates are excluded from voting on the resolution and any votes cast by or on their behalf will not be taken into account. However, the Company need not disregard a vote if it is cast by a person as a 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.

17. ASX Listing Rule Additional Disclosures

The following disclosures are made as contemplated by the ASX Listing Rules:

- If shareholders provide their approval, the Company will issue the shares to the recipients no later than 5 business days after the date of the meeting. If shareholders provide their approval, the Company will seek to complete the transaction and issue the shares shortly thereafter, and is currently targeting a transaction completion date in the second half of January 2017.
- The deemed issue price of the shares will be 0.1 cents each, thus representing an acquisition price of \$9.6 million for the remaining 96% interest in NavGas.

18. Directors Recommendation

Each Director other than Nick Mather and Bill Stubbs recommend that shareholders vote in favour of the resolution. Nick Mather and Bill Stubbs make no recommendation to shareholders having regard to the matters described above and the potential for a conflict of interest.

Resolution 11: Repeal and replacement of Constitution

This resolution seeks Shareholder approval to replace the Company's existing Constitution with a replacement Constitution.

The Company's Constitution was last amended more than 20 years ago. Since then the Company has undergone considerable change and, in addition, material changes have been made to the Corporations Act and the Listing Rules. There have also been a number of developments in corporate governance practices.

A review of the Constitution has been conducted, as a result of which the Board believes that it should be brought up to date with the current provisions of the Corporations Act and the Listing Rules. In addition, the Board considers that numerous provisions in it should be brought into line with corporate governance best practices.

Rather than make extensive amendments to the existing Constitution, the Board believes that it is preferable to repeal it and adopt an up-to-date replacement Constitution.

The proposed replacement Constitution has been approved by the ASX for Listing Rule consistency purposes. The replacement constitution differs from the existing Constitution in a number of ways, many of which are technical or relatively minor in nature. A brief overview of the material differences between the existing Constitution and the replacement Constitution is set out in the table below.

This overview is not exhaustive and does not identify all of the differences between the existing and replacement Constitutions. Accordingly, copies of the existing Constitution and the proposed replacement Constitution are available at www.lakesoil.com.au. A copy of the Replacement Constitution, signed by the Chairman for the purposes of identification, will also be tabled at the Meeting.

Overview of material differences between existing Constitution and the proposed replacement Constitution

| Change | Explanation of Change |
|----------------------|--|
| General Update | The proposed replacement Constitution generally updates the various provisions in a variety of respects to reflect industry best practice in a form approved by the ASX. |
| Unmarketable Parcels | The proposed replacement Constitution contains up to date unmarketable parcel provisions entitling the Company to sell an unmarketable parcel of shares (less than \$500) if a shareholder does not exercise an entitlement to opt out of any such sale following receipt of a letter from the Company inviting the shareholder to elect to do so. |
| Chairman | The proposed replacement Constitution allows the Directors to elect a chairman from time to time. This differs from the existing position where the chairman can only be determined on an annual basis following the annual general meeting. |

As with the existing Constitution, the replacement Constitution accommodates the "no liability" status of the Company. "No liability" status means that if the Company issues partly paid shares (there are none currently on issue) then if the holder defaults in payment of an outstanding amount, the Company can forfeit the partly paid shares, sell them and retain the proceeds to the extent of the shortfall, but cannot otherwise have recourse to the holder for any outstanding shortfall.

Board Recommendation

The Board considers that adopting the Replacement Constitution is in the best interests of the Company. Accordingly, the Board unanimously recommends that Shareholders approve Resolution 11.

Voting Exclusions

Resolution 11 is a Special Resolution and can only be passed if at least 75% of the votes cast, in person or by proxy, by Shareholders who are entitled to vote on the Resolution, are voted in favour. No voting exclusions apply.

Resolution 12: Approval of 10% Placement Facility

Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting ("10% Placement Facility"). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (see below).

The Company continues actively seeking to increase work on its current exploration assets and reviewing new potential projects and investments. Should the Company utilise the 10% Placement Facility, it intends to use the funds to acquire new resource assets or investments, to conduct further work on its current projects or to meet additional working capital requirements.

Directors Recommendations

The Directors of the Company believe that Resolution 12 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

Voting Exclusions

The Company will disregard any votes cast on Resolution 12 by any person who may participate in the proposed issue or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of such person.

Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an Annual General Meeting. This means it requires approval of 75% of the votes cast by shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, Fully Paid Ordinary Shares and Unlisted Options.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an Annual General Meeting may issue or agree to issue, during the 12 month period after the date of the Annual General Meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;

- (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) *Listing Rule 7.1 and Listing Rule 7.1A*

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 11,940,783,075 Shares and therefore has a capacity to issue:

- (i) 1,617,925,795 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being obtained under Resolution 12, 1,184,061,641 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2

(e) *Minimum Issue Price*

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) *10% Placement Period*

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the Annual General Meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

Listing Rule 7.1A

The effect of Resolution 12 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 12 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 12 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. Shareholders may be exposed to economic risk and voting dilution, including the following:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

| Variable 'A' in Listing Rule 7.1A.2 | | Dilution | | |
|---|------------------------------------|--|-------------------------|--|
| | | \$0.0005 50% decrease in Issue Price | \$0.001 Issue Price | \$0.002 100% increase in Issue Price |
| Current Variable A 11,940,783,075 Shares | 10% Voting Dilution | 1,194,078,308 Shares | 1,194,078,308 Shares | 1,194,078,308 Shares |
| | Funds raised | \$597,039 | \$1,194,078 | \$2,388,157 |
| 50% increase in current Variable A 17,911,174,613 Shares | 10% Voting Dilution | 1,791,117,461 Shares | 1,791,117,461 Shares | 1,791,117,461 Shares |
| | Funds raised | \$895,559 | \$1,791,117 | \$3,582,235 |
| 100% increase in current Variable A 23,881,566,150 Shares | 10% Voting Dilution | 2,388,156,615 Shares | 2,388,156,615 Shares | 2,388,156,615 Shares |
| | Funds raised | \$1,194,078 | \$2,388,157 | \$4,776,313 |

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- No Options (including any Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities;
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
 - The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - The issue price is **\$0.001** (0.1 cents), being the closing price of the Shares on ASX on **8 December 2016**.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 12 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition) and continued exploration expenditure on the Company's current assets and/or general working capital.
- (a) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).
- The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.
- Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.
- (f) A voting exclusion statement is included in the Notice. At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

Information under Listing Rule 7.3A.6(a):

The table below shows the total number of equity securities issued in the past 12 months preceding the date of the AGM and the percentages those issues represent of the total number of equity securities on issue at the commencement of the 12 month period.

| | |
|---|----------------|
| Equity securities on issue at commencement of the 12 month period | 11,658,829,685 |
| Equity securities issued in the prior 12 month period* | 340,479,202 |
| Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period | 2.92% |

* For full details of the issues of equity securities made by the Company since the date of the last Annual General Meeting, see Annexure A. Included in this Appendix is a summary of the amount of funds raised as a result of the

capital raisings during the previous 12 month period and the remaining funds as at the date of this notice is approximately \$0.4 million.

Voting Exclusions

The Company will disregard any votes cast on resolution 12. by any person who may participate in the proposed issue or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of such person.

In accordance with Listing Rule 14.11.1 and the relevant Note under that rule concerning Rule 7.1A, as at the date of this Notice of Meeting it is not known who may participate in the proposed issue (if any). On that basis, no security holders are currently excluded.

GLOSSARY

The following terms have the following meanings in this Explanatory Statement:

“\$” means Australian Dollars;

“**10% Placement Facility**” has the meaning as defined in the Explanatory Statement for Resolution 12;

“**10% Placement Period Facility**” has the meaning as defined in the Explanatory Statement for Resolution 12;

“**Annual Report**” means the Directors’ Report, the Financial Report, and Auditor’s Report, in respect to the year ended 30 June 2016;

“**ASX**” means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange, as the context requires;

“**ASX Settlement Operating Rules**” means the rules of ASX Settlement Pty Ltd which apply while the Company is an issuer of CHESSE approved securities;

“**Auditor’s Report**” means the auditor’s report on the Financial Report;

“**AEDST**” means Australian Eastern Daylight Standard Time.

“**Board**” means the Directors acting as the board of Directors of the Company or a committee appointed by such board of Directors;

“**Chairman**” means the person appointed to chair the Meeting of the Company convened by the Notice;

“**CHESSE**” has the meaning in Section 2 of the ASX Settlement Operating Rules;

“**Closely Related Party**” means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

“**Company**” means Lakes Oil NL ACN 004 247 214;

“**Constitution**” means the constitution of the Company as at the date of the Meeting;

“**Convertible Security**” means a security of the Company which is convertible into shares;

“**Corporations Act**” means the Corporations Act 2001 (Cth);

“**Director**” means a Director of the Company;

“**Directors Report**” means the annual directors’ report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

“**Equity Security**” has the same meaning as in the Listing Rules;

“**Explanatory Memorandum**” means the explanatory memorandum which forms part of the Notice;

“**Financial Report**” means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

“**Key Management Personnel**” means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company;

“**Listing Rules**” means the Listing Rules of the ASX;

“**Meeting**” has the meaning given in the introductory paragraph of the Notice;

“**Notice**” means the Notice of Meeting accompanying this Explanatory Statement;

“**Proxy Form**” means the proxy form attached to the Notice;

“**Remuneration Report**” means the remuneration report which forms part of the Directors’ Report of Lakes Oil NL for the financial year ended 30 June 2016 and which is set out in the 2016 Annual Report.

“**Resolution**” means a resolution referred to in the Notice;

“**Schedule**” means schedule to the Notice;

“**Section**” means a section of the Explanatory Memorandum;

“**Share**” means a fully paid ordinary share in the capital of the Company;

“**Shareholder**” means shareholder of the Company;

“**Trading Day**” means a day determined by ASX to be a trading day in accordance with the Listing Rules;

“**VWAP**” means volume weighted average price.

Annexure A

CASH ISSUES

| Date | Number of Securities | Security Type | Terms | Description | Party or Basis | Price | Discount to 15 day VWAP | Total Consideration | Use of Consideration |
|--------------|----------------------|---------------|-------|-----------------------------------|--|-------|-------------------------|---------------------|---|
| 16-Sep-2016 | 53,666 | LKOGB | LKOGB | Listed Unsecured Converting Notes | Issue of Listed Unsecured Converting Notes | \$10 | N/A | \$536,660 | Expenditure on exploration and research activities, repayment of loans, and general working capital purposes. |
| 3-Oct-2016 | 58,000 | LKOGB | LKOGB | Listed Unsecured Converting Notes | Issue of Listed Unsecured Converting Notes | \$10 | N/A | \$580,000 | Expenditure on exploration and research activities, repayment of loans, and general working capital purposes. |
| 29-Nov-2016 | 37,500 | LKOGB | LKOGB | Listed Unsecured Converting Notes | Issue of Listed Unsecured Converting Notes | \$10 | N/A | \$375,000 | Expenditure on exploration and research activities, repayment of loans, and general working capital purposes. |
| Total | | | | | | | | \$1,491,660 | |

NON-CASH ISSUES

| | | | | | | | | | |
|-------------|-------------|-------|-------|--|---|-----|-----|-----|-----|
| 8-Jan-2016 | 58,000,000 | LKOOA | LKOOA | Grant of unlisted options to (non-director) employees of the Company | Granted to (non-director) employees of the Company | N/A | N/A | N/A | N/A |
| 6-Apr-2016 | 136,620,000 | FPO | FPO | Capital Raising – Early conversion of converting notes | Issue of shares to Convertible note holders | N/A | N/A | N/A | N/A |
| 29-Jun-2016 | 54,166,666 | FPO | FPO | Issue of shares to the Chief Executive Officer of the Company | Issue of shares to the Chief Executive Officer of the Company | N/A | N/A | N/A | N/A |
| 29-Jun-2016 | 16,000,000 | FPO | FPO | Issue of shares to an employee of the Company | Issue of shares to an employee of the Company | N/A | N/A | N/A | N/A |
| 7-Oct-2016 | 26,725,000 | FPO | FPO | Capital Raising – Early conversion of converting notes | Issue of shares to Convertible note holders | N/A | N/A | N/A | N/A |
| 17-Oct-2016 | 30,000,000 | FPO | FPO | Issue of shares to an employee of the Company | Issue of shares to an employee of the Company | N/A | N/A | N/A | N/A |
| 6-Dec-2016 | 18,818,370 | FPO | FPO | Capital Raising – Early conversion of converting notes | Issue of shares to Convertible note holders | N/A | N/A | N/A | N/A |

Glossary

FPO Fully Paid Ordinary Shares

LKOOA LKOOA Unlisted Options – exercisable at \$0.005 (0.5 cents) on or before 8 January 2021

LKOGB LKOGB Listed Unsecured Converting Notes

ANNEXURE B

TERMS AND CONDITIONS OF OPTIONS

The terms and conditions of the options pursuant to resolution 8 are as follows:

1. Subject to paragraphs 2 and 3, each option is exercisable at any time after the date of issue until its expiry on 8 January 2021, and any options not exercised by then will automatically lapse.
2. If:
 - a) the holder ceases to be an officer or employee of the Company for any reason whatsoever except by reason of death or summary dismissal, the options which the holder is entitled to exercise at that time are exercisable within 60 days and any options not exercised during that period shall lapse;
 - b) the holder ceases to be an officer or employee of the Company by reason of death, the options which the holder is entitled to exercise at that time are exercisable within 12 months by the legal personal representative of the holder and any options not exercised during that period shall lapse;
 - c) the holder ceases to be an officer or employee of the Company by reason summary dismissal the options which the holder is entitled to exercise at that time shall lapse immediately;
 - d) a takeover bid within the meaning of the Corporations Act is made for the Company and the bidder becomes entitled to become the registered holder of at least 90% of the ordinary shares during the bid period, the options which the holder is entitled to exercise at that time are exercisable by the end of the bid period and any options not exercised by that date shall lapse and;
 - e) shareholders pass a resolution by the requisite majorities approving a scheme of arrangement as ordered by a court which has the effect that a person will become registered as the holder of more than 50% of the ordinary shares, the options which the holder is entitled to exercise at that time are exercisable within 5 days and any options not exercised by that date shall lapse.
3. The options may be exercised for part or all of the options giving a notice in writing, provided that if the options are exercised in part they may only be exercised in multiples of at least, 1,000.
4. The exercise price for each option payable on exercise is 0.5 cents.
5. On receipt by the Company of the notice of exercise and payment of the exercise price, the Company must within 10 business days allot to the holder 1 ordinary share in respect of each option exercised and dispatch the relevant acknowledgment of issue as soon as is reasonably practicable and shall apply for the share to be listed on the ASX.
6. Shares offered on the exercise of options will rank equally in all respects with the then issued ordinary fully paid shares in the capital of the Company and will be subject to the provisions of the Constitution of the Company.
7. In the event of a bonus issue of shares by the Company, the exercise price for each option will be adjusted in accordance with the ASX Listing Rules, but there will be no adjustment in the event of a pro-rata issue of shares by the Company.
8. If any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company occurs before the expiry of the options, the number of options to which the holder is entitled or the exercise price or both must be reorganized in accordance with the ASX Listing Rules applying to a reorganisation at the time of the reorganization.
9. An option does not confer the right to participate in issues of capital offered to holders of shares during the currency of the options without exercising the options. However, the Company will ensure for the purposes of determining entitlements to any such issue that the books closing date will be set in accordance with the relevant timetable of the ASX Listing Rules which will give the holder the opportunity to exercise the options prior to the date for determining entitlements to participate in any such new issue.
10. The options will not be listed on the ASX and may not be assigned or transferred.
11. The options do not provide any entitlement to dividends.
12. The options do not entitle the holder to vote at any meeting of shareholders.