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**LACHLAN STAR LIMITED**  
**(SUBJECT TO DEED OF COMPANY ARRANGEMENT)**  
**ACN 000 759 535**  
**NOTICE OF ANNUAL GENERAL MEETING**

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Year Ended: 30 June 2017

**TIME:** 9.00am (WST)

**DATE:** 19 March 2018

**PLACE:** KPMG, 235 St Georges Terrace, Perth, Western Australia, 6000

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Deed Administrators on +61 8 9263 7171.*

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## IMPORTANT INFORMATION

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### Time and place of Meeting

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Notice is given that the Meeting will be held at 9.00am (WST) on 19 March 2018 at:  
KPMG, 235 St Georges Terrace, Perth, Western Australia, 6000.

### Your vote is important

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The business of the Meeting affects your shareholding and your vote is important.

### Voting eligibility

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The Deed Administrators have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 9.00am (WST) on 17 March 2018.

### Voting in person

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To vote in person, attend the Meeting at the time, date and place set out above.

### Voting by proxy

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## LETTER TO SHAREHOLDERS

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Dear Shareholder

On 13 February 2015, the Company's securities were suspended from quotation on the Australian Securities Exchange (**ASX**).

On or about 13 February 2015, the Board resolved to place the Company into voluntary administration and appointed Messrs Matthew Woods and Hayden White of KPMG as joint and several voluntary administrators of the Company. Following appointment of the administrators, the powers of the Company's officers (including Directors) were suspended and the administrators assumed control of the Company's business, property and affairs.

On 7 August 2015, at a second meeting of creditors of the Company, the creditors of the Company resolved to execute a deed of company arrangement (**DOCA**) recommended by the administrators. The Company, Ascent Capital Holdings Pty Ltd (**Proponent**) and the administrators executed the DOCA on 28 August 2015, which embodied a proposal by the Proponent for the recapitalisation of the Company (**Recapitalisation Proposal**). The Recapitalisation Proposal has been extended due to delays in the completion of the outstanding audited financial reports. Under the terms of the DOCA, the administrators were appointed as deed administrators of the DOCA (**Deed Administrators**).

A summary of the Recapitalisation Proposal is set out in Section 1.3 of the Explanatory Statement below.

The ASX has advised that it will not require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules as a result of the Recapitalisation Proposal, subject to certain conditions.

The DOCA is subject to a number of conditions, including obtaining necessary Shareholder approvals. The Resolutions proposed in this Notice of Meeting will enable the conditions of the DOCA to be completed.

If the Recapitalisation Resolutions are passed and the Recapitalisation Proposal completed, the Company will seek the reinstatement to trading of its Shares on ASX.

None of the Resolutions required under the Recapitalisation Proposal and listed in this Notice of Meeting will take effect unless all of the Recapitalisation Resolutions are duly passed.

If any of those Recapitalisation Resolutions are not passed by Shareholders, the Company will have to seek a new recapitalisation proposal and, if unsuccessful, may go into liquidation (in which event no return to Shareholders is anticipated). If the Recapitalisation Resolutions are passed but are not implemented, the trading suspension imposed by the ASX will remain in force and the Company's directors at that time will need to consider other alternatives.

I urge you to attend the Meeting, or, if you are unable to attend the Meeting personally, your proxy should be forwarded to the Company so as to be received by no later than the time and date specified on the Proxy Form.

The Recapitalisation Proposal maximises the chances of the Company continuing in existence and to provide a better return to the creditors and Shareholders of the Company than would result from the immediate winding up of the Company. If all Recapitalisation Resolutions are passed and implemented, the Company will be debt free, it will be able to continue its business in Australia and will be in a position to seek the reinstatement of its Shares to official quotation on ASX.

I encourage you to consider the attached documentation carefully and to exercise your vote in favour of the Resolutions proposed for approval at the Meeting. It is very important that you participate in the decision which could be crucial for the future of your investment in the Company.

Yours faithfully

**Matthew Woods**  
**Deed Administrator**

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## IMPORTANT NOTE

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The Company reminds Shareholders of ASX's policy for the removal of long term suspended entities detailed in ASX Guidance Note 33 Removal of Entities from the ASX official list (**Guidance Note 33**).

Pursuant to Guidance Note 33, any entity that has been in continuous suspension for more than 3 years, as the Company has been since 13 February 2015, will be automatically removed from the official list of ASX on the third anniversary of its suspension date if it is still suspended. It is highly unlikely the Company's Securities will recommence trading before 13 February 2018 (**Removal Date**).

ASX may agree to a short extension of this deadline if the Company can demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its Securities within a reasonable period. For these purposes, ASX considers "final stages" to mean:

- (a) having announced the transaction to market;
- (b) having signed definitive legal agreements for the transaction (including for any financing required in respect of the transaction);
- (c) if the transaction requires a prospectus or product disclosure statement to be lodged with ASIC, having lodged that document with ASIC, and
- (d) if the transaction requires security holder approval, having obtained that approval.

The Company has met the first two of the above requirements but will not have met the last two requirements by 13 February 2018. ASX has therefore granted a short extension of time until 19 March 2018 in order for the Company to satisfy these last two requirements.

The Company intends to lodge the Prospectus for the Recapitalisation Proposal as soon as possible following the date of this Notice (and in any case, prior to 19 March 2018), in order to meet the third requirement. Once lodged, and providing Shareholders pass the Recapitalisation Resolutions the subject of this Notice, the Company will have met all requirements to enable it to request a further short extension from ASX to the automatic removal deadline. The Company confirms it will make such a request at the appropriate time and keep the market updated in this regard.

The Company notes that any such extension of time may not be granted by the ASX and that the ASX has sole discretion on whether an extension of time is approved or not and for what period of time the extension is to be granted.

If the Company is unable to meet the conditions required by ASX to request an extension, or if ASX does not grant an extension, the Company will be removed from the Official List of ASX at close of business on 19 March 2018.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### FINANCIAL STATEMENTS AND REPORTS – AGENDA ITEM

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To receive and consider the annual financial report of the Company for the financial year ended 30 June 2017 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.lachlanstar.com.au](http://www.lachlanstar.com.au).

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#### 1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to all other Recapitalisation Resolutions being passed, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every five (5) Shares be consolidated into one (1) Share and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share (as the case may be)."*

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#### 2. RESOLUTION 2 – APPROVAL OF RIGHTS ISSUE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to all other Recapitalisation Resolutions being passed, that for the purposes of the ASX Waiver and for all other purposes, approval is given for the Company to conduct the Rights Issue on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will, in accordance with the ASX Waiver, disregard any votes cast on this Resolution by any of its Substantial Holders, any underwriter, sub-underwriter, broker or manager to the Rights Issue, and the 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.

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#### 3. RESOLUTION 3 – ISSUE OF CREDITORS' TRUST SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to all other Recapitalisation Resolutions being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 20,000,000 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a



holder of ordinary securities in the Company) or an associate of that person (or 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.

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**4. RESOLUTION 4 – ELECTION OF DIRECTOR – GARY STEINEPREIS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Gary Steinepreis, a Director who was appointed on 18 January 2018, retires, and being eligible, is elected as a Director.”*

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**5. RESOLUTION 5 – ELECTION OF DIRECTOR – BERNARD AYLWARD**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Bernard Aylward, a Director who was appointed on 18 January 2018, retires, and being eligible, is elected as a Director.”*

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**6. RESOLUTION 6 – ELECTION OF DIRECTOR – DANIEL SMITH**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Daniel Smith, a Director who was appointed on 18 January 2018, retires, and being eligible, is elected as a Director.”*

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**7. RESOLUTION 7 – ISSUE OF SECURITIES TO RELATED PARTY – GARY STEINEPREIS**

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

*“That, subject to all Recapitalisation Resolutions being passed, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue:*

- (a) up to 70,000,000 Proponent Shares (on a post-Consolidation basis);*
- (b) up to 100,000,000 Proponent Options (on a post-Consolidation basis); and*
- (c) up to 50,000,000 Shares (on a post-Consolidation basis),*

*to Gary Steinepreis (or his nominee/s) on the terms and conditions set out in the Explanatory Statement.”*

**ASX Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Gary Steinepreis (or his nominee/s) and any of their associates. 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.

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**8. RESOLUTION 8 – ISSUE OF SECURITIES TO RELATED PARTY – BERNARD AYLWARD**

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

*“That, subject to all Recapitalisation Resolutions being passed, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 10,000,000 Shares and 2,500,000 Options to Bernard Aylward (or his nominee/s) on the terms and conditions set out in the Explanatory Statement.”*

**ASX Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Bernard Aylward (or his nominee/s) and any of their associates. 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.

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**9. RESOLUTION 9 – ISSUE OF SECURITIES TO RELATED PARTY – DANIEL SMITH**

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

*“That, subject to all Recapitalisation Resolutions being passed, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 10,000,000 Shares and 2,500,000 Options to Daniel Smith (or his nominee/s) on the terms and conditions set out in the Explanatory Statement.”*

**ASX Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Daniel Smith (or his nominee/s) and any of their associates. 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.

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**10. RESOLUTION 10 – ISSUE OF SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 300,000,000 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or 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.

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## 11. RESOLUTION 11 – REPLACEMENT OF CONSTITUTION

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

*“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”*

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## 12. RESOLUTION 12 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s annual financial report for the financial year ended 30 June 2017.”*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

### **Voting Prohibition Statement:**

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

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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## 13. RESOLUTION 13 – APPROVAL OF 10% PLACEMENT CAPACITY

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

*“That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will 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.

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#### 14. RESOLUTION 14 – SPILL RESOLUTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 250V(1) of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**); and*
- (b) all Vacating Directors to cease to hold office immediately before the end of the Spill Meeting; and*
- (c) resolutions to appoint persons to offices that will be vacated pursuant to (b) to be put to vote at the Spill Meeting.”*

**Voting Prohibition Statement:**

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

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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**Dated: 12 February 2018**

**By order of the Board**

**Matthew Woods**  
**Deed Administrator**  
**Lachlan Star Limited**  
**(Subject to Deed of Company Arrangement)**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors and Deed Administrators believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

**If all of the Recapitalisation Resolutions are passed and the proposed re-structuring set out in the Recapitalisation Proposal is completed, the Company will be in a position to seek the reinstatement of its Shares to official quotation on ASX. This reinstatement is, of course, subject to the discretion of ASX.**

**If Shareholders reject the proposed recapitalisation, the Company may be placed into liquidation. In this circumstance, it is likely that there would be no return to Shareholders.**

### **IMPORTANT NOTE**

**The Company is required by ASX to obtain Shareholder approval of the Recapitalisation Resolutions and lodge a Prospectus in respect of the Securities to be offered under the Recapitalisation Proposal by no later than 19 March 2018. If this does not occur then the Company will be removed from the Official List.**

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## 1. OVERVIEW

### 1.1 Recapitalisation proposals

A recapitalisation proposal typically involves an injection of new cash (by way of issuing new securities) into a company that is either in financial distress or has been placed into voluntary administration.

In the ordinary course, the entity in question will retain some or all of its assets and seek reinstatement to trading following completion of a recapitalisation proposal.

That is what is proposed by the Resolutions set out in this Notice of Meeting. The background on the Company and an overview of the Recapitalisation Proposal is set out in the balance of this Section of the Explanatory Statement below.

### 1.2 Background

The Company was incorporated on 23 February 1970 and was subsequently listed on the ASX on 28 July 1971. The Company trades under the ASX code "LSA".

The Company's current activities involve resource exploration and production. On completion of the Recapitalisation Proposal, the Company will continue to hold an interest in the Princhester Magnesite Project and Bushranger Copper Project. Details of these projects are set out below.

#### (a) Princhester Magnesite Project

The Princhester Magnesite Project is located 85km north west of Rockhampton, Queensland and comprises two granted Mining Leases (ML), ML5831 and ML5832.

The area forms steeply dissected ridges where the serpentinite and associated rocks are deeply weathered and overlain in part by laterite. Ultramafic intrusions lie along a fault system which separates these early Paleozoic rocks from those of the Yarrol Basin in the west. Intrusions of harzburgite and serpentinite as elongate north west – south east striking

bodies concordant with the strike of the enclosing rocks. The harzburgites have mostly been serpentinitised and these, as well as the separately emplaced serpentinites have largely been weathered. The magnesite occurrence is a mixture of magnesite, quartz and magnesia silicates which are associated with serpentinite.

The Princhester Magnesite Project represents a genuine magnesite resource (non-JORC) with a long history of detailed exploration and resource/metallurgical evaluation.

(b) **Bushranger Copper Project**

The Bushranger Copper Project comprises a single, Exploration Licence 5574, and is currently the subject of the Bushranger Exploration Farmin and Joint Venture Agreement, which was initially entered into by the Company's wholly owned subsidiary, ORD Investments Pty Ltd (**ORD Investments**) and Newmont Exploration Pty Ltd (**Newmont**) dated on or around 30 September 2011. Newmont's entire interest in the Bushranger Exploration Farmin and Joint Venture Agreement was subsequently novated to Anglo American Exploration (Australia) Pty Ltd (**Anglo American**) pursuant to a Deed of Novation between Anglo American, Newmont and ORD Investments dated on or around 10 January 2014 (**Deed of Novation**). The initial interests of the participants in the joint venture (subsequent to the Deed of Novation) were:

- (i) Anglo American: 51%; and
- (ii) ORD Investments: 49%.

The Company has since elected not to contribute to exploration expenditure on the project and has thereby diluted its interest in the project. Anglo American has spent significant expenditure which has increased the value of the asset. In accordance with the terms of the Bushranger Exploration Farmin and Joint Venture Agreement the Company's interest will convert into a 2% Net Smelter Royalty, subject to formal confirmation, audit and documentation.

### 1.3 Recapitalisation Proposal

On 28 August 2015, the Company, the Proponent and the administrators executed the DOCA, which embodied a proposal by the Proponent for the recapitalisation of the Company (**Recapitalisation Proposal**). The Recapitalisation Proposal has been extended due to delays in the completion of the audited financial reports.

A summary of the Recapitalisation Proposal, as contained in the DOCA, is set out below:

- (a) The Company will retain its interest in the Princhester Magnesite Project and Bushranger Copper Project (**Retained Assets**), with all other assets to be transferred to the Creditors' Trust.
- (b) The Company will consolidate its existing Securities on a one (1) for five (5) basis (**Consolidation**).

- (c) The Company will proceed with the following issues of securities (on a post-Consolidation basis):
- (i) up to 20,000,000 Shares to the trustee of the Creditors' Trust for the benefit of the creditors' claims (**Creditors' Trust Shares**);
  - (ii) up to 70,000,000 Shares to the Proponent (or its nominee/s) at an issue price of \$0.0025 per Share to raise up to \$175,000 (**Proponent Shares**);
  - (iii) up to 330,786,518 Shares pursuant to a pro rata non-renounceable rights issue on the basis of ten (10) Shares for every one (1) Share held by eligible Shareholders at an issue price of \$0.005 per Share to raise up to approximately \$1,653,933 (**Rights Issue**); and
  - (iv) up to 100,000,000 unquoted Options to the Proponent (or its nominee/s) exercisable at \$0.005 each on or before 31 December 2021 (**Proponent Options**).
- (d) The DOCA is subject to the satisfaction (or waiver by the Proponent) of the conditions of the DOCA (**Conditions**) on or before 31 March 2018, or such date as mutually agreed.
- (e) On execution of the DOCA, the Proponent lent the Deed Administrators \$50,000 for the sole purpose of external costs in implementing the Recapitalisation Proposal (**Recapitalisation Expenses Fund**). The balance of the Recapitalisation Expenses Fund will be paid to the Creditors' Trust.
- (f) The payment of \$675,000 in cash to the Creditors' Trust for the purposes of satisfying the costs of the DOCA administration and creditors' claims (**Creditor Payment**). The balance of the funds raised under paragraph (c) above will be used for costs, developing the Company's Retained Assets, review of new business opportunities, for working capital and as otherwise described in Section 1.5.
- (g) The Company will pay the Proponent any amounts which may be lent by the Proponent to the Deed Administrators to facilitate the Recapitalisation Proposal, including the Recapitalisation Expenses Fund and the Creditor Payment.
- (h) The claims of creditors of the Company will be compromised pursuant to the DOCA and the Company will thereafter be debt free.
- (i) Settlement will occur on the date that is 3 business days after the satisfaction (or waiver) of the last of the Conditions (**Settlement**). At Settlement:
- (i) the Creditor Payment will be made to the Deed Administrators;
  - (ii) the Deed Administrators will create a creditors' trust (**Creditors' Trust**) and transfer any other assets or property of the Company, other than the Retained Assets, to the Creditors' Trust;
  - (iii) the DOCA will be wholly effectuated; and
  - (iv) the Deed Administrators will resign and lodge a Form 5056 online at ASIC.

- (j) On successful reinstatement to the official list of ASX, the Company will pay:
- (i) the Proponent a recapitalisation fee of \$50,000; and
  - (ii) a further \$50,000 recapitalisation fee will be reserved for payment to other parties who have provided assistance in the recapitalisation process, including the parties associated with the Proponent,

**(Recapitalisation Fee).** If less than the Full Amount (defined below) is raised under the Recapitalisation Proposal, this Recapitalisation Fee will be reduced on the basis specified in note to the Minimum Amount use of funds table Section 1.5).

Effective from 18 January 2018, Directors Gary Steinepreis, Bernard Aylward and Daniel Smith were appointed to the Board (which is the subject of Resolutions 4,5 and 6), in replacement of Declan Franzmann and Anthony Cipriano, who resigned on the same date.

#### 1.4 Pro-forma capital structure

The estimated proposed capital structure post effectuation of the DOCA (assuming all Recapitalisation Resolutions are approved, the Consolidation is completed and the Rights Issue is fully subscribed) is set out in the table below.

The offer of the Creditors' Trust Shares, Proponent Shares, the Proponent Options and the Rights Issue will be contained in a prospectus, expected to be lodged with ASIC and ASX as soon as possible following the date of this Notice (but in any case, prior to 19 March 2018) (**Prospectus**).

Securities	Shares	Options
Currently on issue	165,393,259	Nil
Post Consolidation (1:5) (Resolution 1)	33,078,652	Nil
Rights Issue (Resolution 2)	330,786,520	Nil
Creditors' Trust Shares (Resolution 3)	20,000,000	Nil
Proponent Securities (Resolution 7)	70,000,000	100,000,000 <sup>1</sup>
Issue of Related Party Securities (Resolutions 7, 8 and 9)	Nil <sup>2</sup>	5,000,000 <sup>1</sup>
Placement of Shares (Resolution 10)	300,000,000	Nil
<b>TOTAL</b>	<b>753,865,172</b>	<b>105,000,000</b>

**Notes:**

1. Unquoted Options exercisable at \$0.005 each on or before 31 December 2021 (on a post-Consolidation basis). The terms and conditions of the Options are set out in Schedule 1.
2. Resolutions 7, 8 and 9 also seek Shareholder approval for, amongst other things, the Directors to participate in either the Placement, or subscribe for Shortfall under the Rights Issue (if any). Please refer to Section 6.1 for further details.



## 1.5 Use of funds

The Company's review and development plans are the best estimates available to the Company at this time. It is important to recognise that the proposed use of funds is subject to change in line with emerging results, circumstances and opportunities.

The Company intends to continue with its core business as a resource exploration company and will focus on its Princhester Magnesite Project and Bushranger Copper Project.

The Company will also consider the acquisition and development of any other investments, both within the mining industry and in market segments unrelated to the mining industry, as identified by the Company and subject always to compliance with the ASX Listing Rules.

### **Use of funds on Minimum Amount being raised**

For the Recapitalisation Proposal to be successful, the Company will need to raise the full amount under the Rights Issue of \$1,653,933, and \$175,000 through the issue of the Proponent Shares, for a total of \$1,828,933 (**Minimum Amount**) to be able to satisfy the ASX listing requirements.

If the Minimum Amount is raised under the Recapitalisation Proposal, the Company intends to apply the funds raised as follows:

	Year 1 (\$)	Year 2 (\$)	Total (\$)
<b>Funds raised:</b>			
Rights Issue and or Placement	1,653,933	Nil	1,653,933
Proponent Shares	175,000	Nil	175,000
	<b>1,828,933</b>	<b>Nil</b>	<b>1,828,933</b>
<b>Utilised as follows:</b>			
Payment to the Creditors' Trust	675,000	Nil	<b>675,000</b>
Cost of Recapitalisation Proposal	75,000	Nil	<b>75,000</b>
Recapitalisation Fee and capital raising fees and associated expenses*	75,000	Nil	<b>75,000</b>
Development of Retained Assets	125,000	200,000	<b>325,000</b>
Review and evaluation of new projects	100,000	150,000	<b>250,000</b>
Working capital and general funds available	200,000	228,933	<b>428,933</b>
<b>TOTAL</b>	<b>1,250,000</b>	<b>578,933</b>	<b>1,828,933</b>

**\*NOTE:** On a Minimum Amount raise, the Recapitalisation Fee will be reduced to \$50,000, with capital raising fees and associated expenses estimated to be approximately \$25,000. If more than the Minimum Amount, but less than the Full Amount, is raised, it is intended that the reduced Recapitalisation Fee and capital raising fees and associated expenses would be scaled up on a proportionate basis.

In the event the Company raises more than the Minimum Amount and less than the Full Amount (defined below), the additional funds raised will be applied towards the expenses of the Offers including capital raising and associated expenses first and then pro rata towards the Development of Retained Assets, Review and evaluation of new projects and working capital and general funds available. This will provide the Company with sufficient working capital to achieve its objectives.

It should be noted that the Company may not be self-funding through its own operational cash flow at the end of the two year period referred to above. Accordingly, the Company may require additional capital beyond this point, which will likely involve seeking additional debt or equity funding.

### **Use of funds on Full Amount being raised**

If the full amount is raised under the Recapitalisation Proposal (assuming the Rights Issue is fully subscribed and all Proponent Shares and Shares under the Placement are issued), a total of \$3,328,933 would be raised (**Full Amount**). If the Full Amount is raised, the Company intends to apply the funds raised as follows:

	Year 1 (\$)	Year 2 (\$)	Total (\$)
<b>Funds raised:</b>			
Rights Issue	1,653,933	Nil	1,653,933
Proponent Shares	175,000	Nil	175,000
Placement	1,500,000	Nil	1,500,000
	<b>3,328,933</b>	<b>Nil</b>	<b>3,328,933</b>
<b>Utilised as follows:</b>			
Payment to the Creditors' Trust	675,000	Nil	<b>675,000</b>
Cost of Recapitalisation Proposal	150,000	Nil	<b>150,000</b>
Recapitalisation Fee	100,000	Nil	<b>100,000</b>
Capital raising fees and associated expenses	300,000	Nil	<b>300,000</b>
Development of Retained Assets	300,000	250,000	<b>550,000</b>
Review & evaluation of new projects	200,000	200,000	<b>400,000</b>
Working capital and general funds available	500,000	653,933	<b>1,153,933</b>
<b>TOTAL</b>	<b>2,225,000</b>	<b>1,103,933</b>	<b>3,328,933</b>

### **1.6 Pro-forma balance sheet**

A pro-forma balance sheet reflecting the financial position of the Company upon termination of the DOCA has been included at Schedule 2.

### **1.7 Indicative timetable**

Set out in the table below is the expected timing for completion of the Recapitalisation Proposal, subject to compliance with all regulatory requirements.

Event	Date <sup>1</sup>
Expected Lodgement of Prospectus with ASIC / ASX	As soon as possible following the date of this Notice (but in any case, prior to 19 March 2018)
Annual General Meeting of Shareholders ASX notified whether Shareholder approval has been granted for the Resolutions	19 March 2018
If all Resolutions are passed, last day for pre-Consolidation trading	20 March 2018
Post-Consolidation trading starts on a deferred settlement basis <sup>2</sup>	21 March 2018
Last day for Company to register transfers on a pre-Consolidation basis	22 March 2018
First day for the Company to send notice to each security holder of the change in their details of holdings First day for the Company to register securities on a post-Consolidation basis First day for issue of new holding statements	23 March 2018
Issue date – deferred settlement market ends <sup>2</sup> Last day for the Company to send notice to each security holder of the change in their details of holdings Last day for Securities to be entered into holders' Security holdings	29 March 2018
Commencement of trading of Shares on ASX	3 April 2018
Lodgement of Appendix 3B with ASX (Rights Issue)	4 April 2018
Notice sent to Shareholders	6 April 2018
Ex date	9 April 2018
Record Date for determining entitlements	10 April 2018
Prospectus sent out to Shareholders & Company announces this has been completed	13 April 2018
Last day to extend the Offer	19 April 2018
Closing Date	24 April 2018
Shares quoted on a deferred settlement basis	26 April 2018
ASX notified of under subscriptions	30 April 2018
Issue date Shares entered into Shareholders' security holdings Issue of Creditors' Trust Shares Issue of Proponent Shares	3 May 2018

Event	Date <sup>1</sup>
Quotation of Shares issued under the Offer <sup>2</sup>	4 May 2018

1. The Directors and Deed Administrators reserve the right to change the above indicative timetable without requiring any disclosure to Shareholders. The above table is indicative only.
2. As the Company's securities are suspended from trading, many of the events set out above (for example, deferred settlement trading) will not be applicable.

## 1.8 Board Changes

Effective from 18 January 2018, Gary Steinepreis, Bernard Aylward and Daniel Smith were appointed to the Board in replacement of Declan Franzmann and Anthony Cipriano who resigned on the same date. Resolutions 4, 5 and 6 seeks Shareholder approval for the election of these Directors to the Board.

Set out below are summaries of the background and experience of each of the Directors.

### **Gary Steinepreis CA, B.Com Non-Executive Chairman**

Mr Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He provides corporate, management and accounting advice to a number of companies involved in the resource, technology and leisure industries. Mr Steinepreis is also currently a director of CFOAM Limited (ASX: CFO), Taruga Gold Ltd (ASX: TAR) and Helios Energy Ltd (ASX: HE8).

Mr Steinepreis, in his role as a director of Ascent Capital Holdings Pty Ltd, has previously been appointed as a director of a number of companies which have entered into external administration. In these instances, Mr Steinepreis was appointed to assist in the restructure and recapitalisation processes.

Mr Steinepreis was a director of Central Norseman Gold Corporation Pty Ltd which is a subsidiary of Norseman Gold Plc. An administrator was appointed to Central Norseman Gold Corporation Pty Ltd in October 2012 to undertake a recapitalisation and restructure of the business due to lack of working capital and loss making operations. A deed of company arrangement for Central Norseman Gold Corporation Pty Ltd was settled in May 2013 and the entity is no longer in administration. Mr Steinepreis resigned as a director of Central Norseman Gold Pty Ltd and Norseman Gold Plc on 9 March 2016.

The non-associated Directors and Deed Administrators have considered the circumstances surrounding Mr Steinepreis' involvement in Central Norseman Gold Corporation Pty Ltd and are of the view that Mr Steinepreis' involvement in this company in no way impacts on his appointment and contribution as a Director of the Company.

### **Bernard Aylward BSc (Hons.), MAusIMM Non-Executive Director**

Mr Aylward is a geologist with over 20 years' experience as a manager and exploration geologist in the mining and exploration industry in a variety of commodities. Mr Aylward's experience includes serving as the Chief Operating

Officer of International Goldfields Ltd (ASX: IGS), General Manager of Azumah Resources Ltd (Ghana), and Exploration Manager for Croesus Mining NL.

Mr Aylward has been involved in the discoveries and management of the Bepkong, Julie, Collette and Kunche deposits in Ghana, as well as the Deep South gold deposit, Gladstone North deposit, St Patrick's, Norseman Reef and the Safari Bore gold deposit.

Mr Aylward brings considerable relevant skills and experience to the Board. He is a member of the Australasian Institute of Mining and Metallurgy.

Mr Aylward is also currently a director of Taruga Gold Ltd (ASX: TAR) and Kodal Minerals Plc (AIM: KOD).

**Daniel Smith BA, MAICD, GIA (Cert), RG146  
Non-Executive Director**

Mr Smith is a member of the Australian Institute of Company Directors and the Governance Institute of Australia and has over 10 years' primary and secondary capital markets expertise. As a director of corporate consulting firm Minerva Corporate, he has advised on, and been involved in, over a dozen IPOs, RTOs and capital raisings on both the ASX and NSX. His key focus is on corporate governance and compliance, commercial due diligence and transaction structuring, as well as ongoing investor and stakeholder engagement. Mr Smith is a Non-Executive Director and Company Secretary of ASX-Listed Ferrum Crescent Limited and is Company Secretary for Taruga Gold Limited and Love Group Global Limited. Mr Smith holds a BA in International Relations from Curtin University.

## **1.9 Reinstatement to official quotation**

The Company is already admitted to the Official List of ASX, however, trading in the Company's Shares was suspended on 13 February 2015. The Company has applied for, and ASX has provided conditional approvals, for reinstatement to trading of the Company's Securities on ASX following Settlement.

Reinstatement to trading is at the discretion of ASX and is subject to compliance with ASX and Corporations Act regulatory requirements. The Company will seek reinstatement to trading to occur soon after Settlement, subject to ASX's discretion and compliance with all conditions applied to the Company's reinstatement. ASX has confirmed, however, that the Company will not be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules in their entirety.

## **1.10 Risk of automatic removal from official quotation**

As of 13 February 2018, the Company's Shares will have been suspended from trading for a continuous period of 3 years and the Company may be automatically removed from the Official List of the ASX in accordance with paragraph 3.4 of Guidance Note 33.

However, pursuant to paragraph 3.4 of Guidance Note 33, ASX may grant to a short extension of the 3-year deadline for automatic removal of a long-term suspended entity if the Company can demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its securities within a reasonable period. For these purposes, ASX considers "final stages" to mean:

- (a) having announced the transaction to market;
- (b) having signed definitive legal agreements for the transaction (including for any financing required in respect of the transaction);
- (c) if the transaction requires a prospectus or product disclosure statement to be lodged with ASIC, having lodged that document with ASIC;
- (d) if the transaction requires security holder approval, having obtained that approval; and
- (e) ASX otherwise being satisfied that the transaction is reasonably capable of being consummated within the period of extension.

While there are significant time constraints in reaching the "final stages" of implementing a transaction that will lead to the resumption of trading in its securities before the Removal Date, if the Recapitalisation Resolutions are passed by the Shareholders, the Company considers that there are reasonable prospects that it will be in a position to satisfy the necessary requirements of the ASX under paragraph 3.4 of Guidance Note 33 to seek a short extension of the 3-year deadline for the automatic removal of the Company from the Official List of the ASX in order to complete the Recapitalisation Proposal and seek reinstatement to Official Quotation.

However, Shareholders should be aware that the decision to grant a short extension of the 3-year deadline for the automatic removal is within the absolute discretion of the ASX.

## **1.11 Summary**

In considering the Recapitalisation Resolutions, Shareholders must bear in mind the Company's current financial circumstances. In this regard, Shareholders should note that the Securities of the Company have been suspended from trading since 13 February 2015 and the Company requires recapitalisation to continue its operations and seek re-quotation of its Securities on ASX. The Recapitalisation Resolutions contained in this Notice are therefore important and affect the future of the Company. Shareholders are urged to give careful consideration to the Notice and the contents of this Explanatory Statement.

If all the Recapitalisation Resolutions are passed and implemented, the Company will be debt free, it will be able to continue its business in Australia and it will be in a position to apply to ASX for the reinstatement of its Securities to Official Quotation. The Deed Administrators considers this to be a realistic option to enable the Company to continue operating. The Deed Administrators will need to investigate other options for the Company if this restructure and recapitalisation is not approved by Shareholders, which will include liquidation, in which case it is expected there will be no return.

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## **2. RESOLUTION 1 – CONSOLIDATION OF CAPITAL**

### **2.1 Background**

The Company proposes to undertake the Consolidation to consolidate the number of Shares on issue on a 1 for 5 basis.

If Resolution 1 is passed and excluding any Securities issued pursuant to the other Resolutions, the number of Shares on issue will be reduced from 165,393,259 to 33,078,652 subject to rounding).

Resolution 1 is subject to all other Recapitalisation Resolutions being approved by Shareholders.

## **2.2 Legal requirements**

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

## **2.3 Fractional entitlements**

Not all Securityholders will hold that number of Shares which can be evenly divided by 5. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share.

## **2.4 Taxation**

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation. Neither the Company, the Proponent nor the Deed Administrators (or any of their advisers), accept any responsibility for the individual taxation implications arising from the Consolidation.

## **2.5 Holding statements**

From the date two Business Days after the Consolidation is approved by Shareholders, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to holders of those Shares.

It is the responsibility of each Shareholder to check the number of Shares held prior to disposal or exercise (as the case may be).

## **2.6 Effect on capital structure**

The estimated effect which the Consolidation will have on the capital structure of the Company is set out in the table in Section 1.4.

## **2.7 Indicative timetable**

If Resolution 1 and all other Recapitalisation Resolutions are passed, the Consolidation will take effect in accordance with the timetable set out in Section 1.7 (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules).

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## **3. RESOLUTION 2 – APPROVAL OF RIGHTS ISSUE**

### **3.1 Background**

As noted in Section 1.3, as part of the Recapitalisation Proposal, the Company is proposing to undertake a pro rata non-renounceable rights issue (**Rights Issue** or **Offer**) of ten (10) Shares for every one (1) Share held by eligible Shareholders at the record date at an issue price of \$0.005 per Share (on a post-Consolidation basis), to raise up to \$1,653,933 (based on the number of Shares on issue as at the date of this Notice).

### **3.2 ASX Listing Rule 7.11.3**

ASX Listing Rule 7.11.3 provides that the ratio of securities offered for a pro rata issue must not be greater than 1 for 1 unless the offer is renounceable and the issue price is not more than the average market price for the securities calculated over the last 5 days on which sales in the securities were recorded before the date on which the pro rata issue was announced.

The Company has obtained a waiver from the requirements of ASX Listing Rule 7.11.3 to enable it to undertake the Rights Issue on the terms set out above (**ASX Waiver**). It is a condition of the ASX Waiver that Shareholders approve the Rights Issue. Resolution 2 seeks this approval.

Resolution 2 is subject to all other Recapitalisation Resolutions being approved by Shareholders.

As the Company is currently suspended from trading, it was not able to make the Offer renounceable as it is not possible for Shareholders to trade the rights that would be issued under a renounceable offer. As such, the Offer is being made on a non-renounceable basis.

### **3.3 Rights Issue terms**

The Company proposes to conduct the Rights Issue to raise up to approximately \$1,653,933 (before costs of the Offer), at an issue price of \$0.005 per Share (on a post-Consolidation basis). Eligible Shareholders may subscribe for 10 new Shares for every one Share held as at the record date (on a post-Consolidation basis).

The terms of the Rights Issue will be contained in the Prospectus, expected to be lodged with ASIC and ASX as soon as possible following the date of this Notice (but in any case, prior to 19 March 2018).

An indicative timetable for the Rights Issue is set out in Section 1.7

The proposed use of funds raised under the Rights Issue is set out in Section 1.5. Further details will be set out in the Prospectus.

The Directors and the Deed Administrators are of the view that the Rights Issue will provide the most certain outcome for the Company in the present circumstances and is preferable to allow the Company's existing Shareholders the opportunity to participate in the funding of the Company and maintain their percentage interest.

The Directors and the Deed Administrators consider that the Rights Issue must be on a 10 for 1 basis to enable sufficient funds to be raised to stabilise the Company's financial position and provide it with funds to continue its exploration activities in Australia. A raising of 1 for 1 or less is considered insufficient to meet this objective.

Eligible Shareholders who do not take up their full entitlement will not receive any value in respect of that part of their entitlement they do not take up. Shareholders who are not eligible to participate in the Rights Issue will not receive any value in respect of entitlement they would have received had they been eligible.

### **3.4 Condition of the Rights Issue**

The Rights Issue is conditional upon Shareholders approving the Rights Issue. This is the subject of Resolution 2. In accordance with the ASX Waiver, the Company will disregard any votes cast by Substantial Holders of the Company, any underwriter,



sub-underwriter, broker or manager to the Rights Issue, and the associates of each of those persons.

For the DOCA to be successful, the full amount will need to be raised under the Rights Issue. As such, the minimum subscription to the Rights Issue will be the full amount of \$1,653,933 being raised. However, the Proponent has the right to place the shortfall as part of the Recapitalisation Proposal. No person's voting power in the Company may increase to 20% or more as a result of the issue of the Shares the subject of the Notice of Meeting or the Recapitalisation Proposal.

If Shareholders do not approve the Rights Issue, the Rights Issue will not proceed and the Company will refund all application money received (without interest) in accordance with the Corporations Act.

### **3.5 Underwriting**

The Offer will not be underwritten.

### **3.6 Shortfall Facility**

In addition to the Rights Issue, there will be a separate and independent offer of any shortfall from the Rights Issue made pursuant to the Prospectus. Both existing Shareholders and other investors who are not currently Shareholders may apply for Shortfall Shares under the shortfall offer.

Further details of the shortfall offer (including possible effects on control of the Company and dilution to Shareholders) will be contained in the Prospectus.

### **3.7 Capital Structure**

The effect of the Rights Issue on the capital structure of the Company is set out in the table in Section 1.4.

### **3.8 Timetable**

An indicative timetable for the Offer is set out in Section 1.7.

### **3.9 Issue price of new Shares**

Shares under the Rights Issue will be offered at an issue price of \$0.005 per Share (on a post-Consolidation basis).

### **3.10 Terms of the Shares**

The new Shares offered under the Rights Issue will be fully paid ordinary shares in the capital of the Company. A summary of the rights and liabilities attaching to new Shares offered under the Rights Issue will be set out in the Prospectus.

### **3.11 Persons to whom new Shares will be issued**

New Shares under the Rights Issue will be issued to:

- (a) eligible Shareholders who take up their entitlements (either in full or in part);
- (b) Shareholders who apply for additional Shares (in the event of shortfall in application due to other Shareholders not taking up their entitlements); and

- (c) other investors identified by the Company and the Proponent (also in the event of shortfall in application due to other Shareholders not taking up their entitlements).

### **3.12 Possible advantages of Resolution 2**

The Directors and the Deed Administrators are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 2:

- (a) the Company needs to raise funds to restructure the Company's balance sheet and to ensure that the Company can satisfy ASX's condition for reinstatement to the official list of the ASX. The Directors and the Deed Administrators are of the view that the Rights Issue will provide the most certain outcome for Shareholders in the circumstances. If the Rights Issue does not proceed, the Recapitalisation Proposal will not proceed, and the Deed Administrators will need to investigate other options for the Company, which will include liquidation, in which case it is expected there will be no return;
- (b) completion of the Rights Issue will enable the Company to stabilise its financial position and will leave it better placed to generate shareholder value moving forward. The Rights Issue offers Shareholders the opportunity to maintain their percentage interest in the Company and share in any upside of the Company moving forward. However, the Company, the Directors and the Deed Administrators cannot give any assurances as to the price at which Shares will trade on completion of the Rights Issue and reinstatement to ASX, or the future performance of the Company generally;
- (c) the funds raised from the Rights Issue will enable the Company to recommence its exploration activities on the Princhester Magnesite Project; and
- (d) it is expected that if the Rights Issue is successfully implemented, and subject to ASX's discretion and compliance with all conditions applied to the Company's reinstatement, trading of the Company's Securities on ASX will recommence. If the Rights Issue, and therefore the Recapitalisation Proposal, does not complete, the Deed Administrators will need to investigate other options for the Company, which will include liquidation, in which case it is expected there will be no return.

### **3.13 Possible disadvantages of Resolution 2**

The Directors and the Deed Administrators are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 2:

- (a) on completion of the Rights issue the number of Shares on issue will increase from 33,078,652 (on a post-Consolidation basis) to 363,865,172 assuming no other Shares are issued. This means that each Share will represent a significantly lower proportion of the ownership of the Company and Shareholders who do not take up their entitlement in the Rights Issue will have a substantially diluted percentage shareholding in the Company; and
- (b) if Resolution 2 is passed, and the Rights Issue proceeds, Shareholders will have to consider whether to take up their entitlements under the Rights

Issue. Further details of the risks associated with an investment in the Company will be set out in the Prospectus.

### **3.14 Other material information**

Except as set out in this Notice of Meeting, in the opinion of the Directors and the Deed Administrators, there is no other information material to the making of a decision in relation to the Rights Issue, being information that is within the knowledge of any Director or the Deed Administrators, which has not previously been disclosed to Shareholders.

### **3.15 Directors' and Deed Administrators' recommendation and intention**

Having regard to all the considerations set out in this Notice of Meeting, the Directors and the Deed Administrators consider that, in the absence of a superior proposal, the expected advantages of the Rights Issue outweigh its potential disadvantages and risks.

After considering all these factors, in the absence of a superior proposal, the Directors and the Deed Administrators recommend that Shareholders vote in favour of Resolution 2 to approve the Rights Issue. The recommendations are based on the reasons outlined in Section 3.12.

None of the Directors have an interest in the Company's Shares as at the date of this Notice of Meeting.

Shareholders should be advised that if Resolution 2 is not passed by the required majority and the Rights Issue does not proceed, the Recapitalisation Proposal will not proceed and the Deed Administrators will need to investigate other options for the Company, which will include liquidation, in which case it is expected there will be no return.

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## **4. RESOLUTION 3 – ISSUE OF CREDITORS' TRUST SHARES**

### **4.1 General**

Resolution 3 seeks Shareholder approval for the issue of up to 20,000,000 Shares (on a post-Consolidation basis) (**Creditors' Trust Shares**) to the trustees of the Creditors' Trust for nil cash consideration. The Creditors' Trust will also receive monies from the funds raised under the Rights Issue if the Recapitalisation Proposal is approved by Shareholders.

Resolution 3 is subject to all other Recapitalisation Resolutions being approved by Shareholders.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Company to issue the Creditors' Trust Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

## **4.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 3:

- (a) the maximum number of Creditors' Trust Shares to be issued is 20,000,000 (on a post-Consolidation basis);
- (b) the Creditors' Trust Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Creditors' Trust Shares will occur on the same date;
- (c) the Creditors' Trust Shares will be issued for nil cash consideration pursuant to the DOCA;
- (d) the deemed issue price for the Creditors' Trust Shares will be \$0.005;
- (e) the Creditors' Trust Shares will be issued to Mr Matthew Woods and Mr Hayden White as trustees for the Creditors' Trust which was established under the terms and conditions of the DOCA. Mr Woods and Mr White are not related parties of the Company;
- (f) the Creditors' Trust Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (g) no funds will be raised from this issue as the Creditors' Trust Shares are being issued to the Creditors' Trust pursuant to the DOCA.

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## **5. RESOLUTIONS 4 TO 6 – ELECTION OF DIRECTORS**

### **5.1 General**

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Pursuant to Resolutions 4 to 6, Gary Steinepreis, Bernard Aylward and Daniel Smith, having been appointed on 18 January 2018 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seek election from Shareholders.

### **5.2 Qualifications**

The qualifications and experience of each Director are set out in Section 1.8.

The Company has undertaken appropriate checks before recommending the election of each Directors and noted no material adverse information as a result of these checks. Each Director has acknowledged to the Company that he has sufficient time to fulfil his responsibilities as a Director.

### 5.3 Independence

If elected, the Board considers that Gary Steinepreis will not be an independent director in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition).

If elected, the Board considers that Bernard Aylward will be an independent director in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition).

If elected, the Board considers that Daniel Smith will be an independent director in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition).

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## 6. RESOLUTIONS 7 TO 9 – ISSUE OF SECURITIES TO RELATED PARTIES

### 6.1 General

As noted in Section 1.3, as part of the Recapitalisation Proposal, the Company will issue to the Proponent (or its nominee/s):

- (a) up to 70,000,000 Proponent Shares (on a post-Consolidation basis) at an issue price of \$0.0025 per Share to raise up to \$175,000; and
- (b) up to 100,000,000 Proponent Options (on a post-Consolidation basis).

The Proponent has nominated Gary Steinepreis (or his nominee/s), a Director, as its nominee to receive the Proponent Shares and Proponent Options.

In addition, the Deed Administrators have agreed that, subject to Shareholder approval, the Company will issue the following Securities to the other Directors (or their respective nominee/s) up to:

- (a) 2,500,000 Options (on a post-Consolidation basis) to Bernard Aylward (or his nominee/s); and
- (b) 2,500,000 Options (on a post-Consolidation basis) to Daniel Smith (or his nominee/s).

Pursuant to Resolutions 2 and 10, the Company is seeking Shareholder approval for:

- (a) a pro rata non-renounceable rights issue (**Rights Issue** or **Offer**) of ten (10) Shares for every one (1) Share held by eligible Shareholders at the record date at an issue price of \$0.005 per Share (on a post-Consolidation basis), to raise up to \$1,653,933 (based on the number of Shares on issue as at the date of this Notice); and
- (b) the issue of up to 300,000,000 Shares at an issue price of \$0.005 per Share (on a post-Consolidation basis), to raise up to \$1,500,000 (**Placement**),

(together the **Capital Raising**).

Any entitlements not taken up pursuant to the Rights Issue will form the shortfall (**Shortfall**). Eligible Shareholders and investors who are not Shareholders of the Company can apply for Shortfall Shares under the Prospectus (**Shortfall Placement**). Shortfall is intended to be allocated in priority to eligible Shareholders who apply for Shortfall Shares, subject to the discretion of the Proponent. The issue

price for each Share to be issued under the Shortfall Placement shall be \$0.005 being the price at which Shares have been offered under the Rights Issue.

The Directors, being Gary Steinepreis, Bernard Aylward and Daniel Smith wish to participate in the Capital Raising. As at the date of this notice of meeting, it is not yet known whether the Directors will participate in the Shortfall Placement or the Placement, or both.

Resolutions 7 to 9 seek Shareholder approval for the issue of up to:

- (a) 70,000,000 Proponent Shares;
- (b) 100,000,000 Proponent Options;
- (c) 5,000,000 Options; and
- (d) 70,000,000 Shares arising from participation by the Directors in the Capital Raising,

(each on a post-Consolidation basis) (together the **Related Party Securities**) to the Directors (or their respective nominee/s).

Resolutions 7 to 9 are subject to all Recapitalisation Resolutions being approved by Shareholders. If the Directors participate in the Placement, Resolutions 7 to 9 are also conditional upon Shareholders approving Resolution 10.

## **6.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Related Party Securities constitutes giving a financial benefit and Gary Steinepreis, Bernard Aylward and Daniel Smith are each a related party of the Company by virtue of being Directors of the Company.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

All of the Directors, being Gary Steinepreis, Bernard Aylward and Daniel Smith, have a material personal interest in the outcome of Resolutions 7 to 9 and accordingly are unable to form quorum to determine whether the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 apply in the current circumstances. Accordingly, Shareholder approval is sought pursuant to section 195(4) of the Corporations Act for the issue of Related Party Securities to the Directors.

### 6.3 ASX Waiver

The issue of the Related Party Securities will occur concurrently with the issue of the Shares under the Capital Raising.

ASX Listing Rule 10.13.3 provides that the notice of meeting must (inter alia) state the date by which the entity will issue the securities and that the securities must be issued no later than 1 month after the date of the meeting or such later date as may be permitted by any ASX waiver or modification of the ASX Listing Rules.

Pursuant to ASX Listing Rule 10.13.3, the Related Party Securities to be issued to the Directors must be issued within 1 month from the date of Shareholder approval. The Company applied to ASX for a waiver from the requirements of ASX Listing Rule 10.13.3 to allow the Company to issue the Related Party Securities later than 1 month after the date of the Meeting.

ASX has since granted the waiver from the requirements of ASX Listing Rule 10.13.3 and, accordingly, the Related Party Securities will be issued at the same time as other securities to be issued to non-related parties subscribing in the Capital Raising, and in any event no later than 3 months after the date of the Meeting.

### 6.4 Shareholder Approval (Chapter 2E of the Corporations Act and ASX Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Related Party Securities:

- (a) the related parties are Gary Steinepreis, Bernard Aylward and Daniel Smith (or their respective nominee/s) and they are related parties by virtue of being Directors of the Company;
- (b) the maximum number of Related Party Securities (being the nature of the financial benefit being provided) to be granted to the Directors is:
  - (i) up to 70,000,000 Proponent Shares, 100,000,000 Proponent Options and 50,000,000 Shares under the Shortfall Placement and/or the Placement (all on a post-Consolidation basis) to Gary Steinepreis (or his nominee/s);
  - (ii) up to 10,000,000 Shares under the Shortfall Placement and/or the Placement and 2,500,000 Options (all on a post-Consolidation basis) to Bernard Aylward (or his nominee/s); and
  - (iii) up to 10,000,000 Shares under the Shortfall Placement and/or the Placement and 2,500,000 Options (all on a post-Consolidation basis) to Daniel Smith (or his nominee/s);
- (c) the maximum number of Related Party Securities to be issued is up to 70,000,000 Proponent Shares, up to 100,000,000 Proponent Options, up to 70,000,000 Shares under the Shortfall Placement and/or the Placement and up to 5,000,000 Options (all on a post-Consolidation basis);
- (d) the Related Party Securities will be issued to the Directors at Settlement of the Recapitalisation Proposal and it is anticipated the Related Party Securities will be issued on the same date. ASX granted the Company a waiver from the requirements of ASX Listing Rule 10.13.3 to allow the Company to issue the Related Party Securities to the Directors (or their

respective nominee/s) later than 1 month after the date of the Meeting. Accordingly, it is anticipated the Related Party Securities will be issued at the same time as other securities to be issued to non-related parties subscribing in the Capital Raising, and in any event no later than 3 months after the date of the Meeting;

- (e) the issue price will be:
- (i) \$0.0025 per Proponent Share (on a post-Consolidation basis);
  - (ii) nil per Proponent Option, as they are being issued as part consideration under the Recapitalisation Proposal;
  - (iii) \$0.005 per Share issued under either the Shortfall Placement or the Placement; and
  - (iv) nil per Option;
- (f) the funds raised from the issue of the Proponent Shares and the Shares under the Shortfall Placement and/or the Placement are intended to be used for making the required payments under the DOCA and Recapitalisation Proposal, developing the Retained Assets, reviewing new projects and for general working capital purposes, in the manner set out in Section 1.5;
- (g) the Proponent Shares and Shares issued under the Shortfall Placement and/or the Placement will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (h) the Proponent Options and Options will be subject to the terms and conditions set out in Schedule 1;
- (i) the value of the financial benefit provided to each Director is calculated by the number of securities being issued to that Director multiplied by the issue price of the Proponent Shares and is set out below:

Securities	Value per Security	Financial Benefit
<b>Gary Steinepreis</b>		
70,000,000 Proponent Shares	\$0.0025	\$175,000
100,000,000 Proponent Options	\$0.0013 <sup>1</sup>	\$129,504
50,000,000 Shares	\$0.005 <sup>2</sup>	\$250,000
<b>TOTAL</b>		<b>\$554,504</b>
<b>Bernard Aylward</b>		
10,000,000 Shares	\$0.005 <sup>2</sup>	\$50,000
2,500,000 Options	\$0.0013 <sup>1</sup>	\$3,237
<b>TOTAL</b>		<b>\$53,327</b>



<b>Daniel Smith</b>		
10,000,000 Shares	\$0.005 <sup>2</sup>	\$50,000
2,500,000 Options	\$0.0013 <sup>1</sup>	\$3,237
<b>TOTAL</b>		<b>\$53,327</b>

**Notes:**

1. Assumes volatility of 25%.
2. Based on the issue price of Shares under the Rights Issue and Placement.

The Company has been suspended from trading since February 2015, with the last trading price of the Company prior to going into administration being \$0.024.

However, the Company will be issuing the Proponent Shares at \$0.0025, and the Directors therefore consider that \$0.0025 is a more appropriate valuation for the cost of the Proponent Shares as it forms part of the Recapitalisation Proposal and recognises the risk taken by the Proponent. The Directors consider that \$0.005 is an appropriate valuation of the Shares, as this is based on the issue price of Shares under the Rights Issue (including the Shortfall Placement) and the Placement;

- (j) the value of the Proponent Options and Options to be issued to the Directors and the valuation methodology is set out in Section 6.5;
- (k) the relevant interests of the Directors in securities of the Company are set out below (on a post-Consolidation basis):

<b>Related Party</b>	<b>Shares</b>	<b>Options</b>
Gary Steinepreis	Nil	Nil
Bernard Aylward	Nil	Nil
Daniel Smith	Nil	Nil

- (l) the remuneration and emoluments from the Company to the Directors for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

<b>Related Party</b>	<b>Current Financial Year<sup>1</sup></b>	<b>Financial year ended 30 June 2019</b>
Gary Steinepreis	\$24,000 <sup>3</sup>	\$24,000
Bernard Aylward	\$24,000	\$24,000
Daniel Smith	\$24,000	\$24,000

**Note:**

1. The actual figure for the 2017/2018 financial year will be a pro-rata amount from Settlement of the Recapitalisation Proposal until 30 June 2018.
2. The proposed remuneration is for acting in a non-executive capacity. Directors will be entitled to market based remuneration for any executive duties undertaken. As at the date of this Notice, no such executive duties have been allocated, finalised or agreed.

3. Gary Steinepreis has an interest in the Proponent which will be remunerated separately for work undertaken in this capacity as disclosed in this Notice of Meeting.
- (m) if the Related Party Securities are issued to the Directors and the Proponent Options and Options are exercised into Shares, a total of 245,000,000 Shares (on a post-Consolidation basis) would be issued. This will increase the number of Shares on issue from 33,078,652 to 858,865,172 (assuming that no other Options are exercised and no Shares other than those contemplated by the Resolutions of this Notice of Meeting are issued) with the effect that the shareholdings of existing Shareholders would be diluted by an aggregate of 28.53%, comprising 25.62% by Gary Steinepreis, 1.46% by Bernard Aylward and 1.46% by Daniel Smith;
- (n) there is no trading history of the Shares on ASX in the 12 months before the date of this Notice as the Company's securities were suspended from quotation on 13 February 2015 and remain in suspension. The last traded price of Shares was \$0.024 (on a pre-Consolidation basis) on 12 February 2015;
- (o) the primary purpose of the issue of:
- (i) the Shares is to allow the Directors to participate in the Capital Raising; and
  - (ii) the Proponent Shares, Proponent Options and Options is for the Directors to participate in the recapitalisation of the Company. The issue of the Proponent Shares and Proponent Options form a key component of, and entitlement of the Proponent under, the Recapitalisation Proposal.
- (p) the Directors decline to make a recommendation to Shareholders in relation to Resolutions 7 to 9 due to Gary Steinepreis, Bernard Aylward and Daniel Smith having a material personal interest in the outcome of Resolutions 7 to 9. If the Related Party Securities are issued to the Directors and the Proponent Options and Options are exercised into Shares, a total of 245,000,000 Shares (on a post-Consolidation basis) would be issued. However, it is noted that the issue of Related Party Securities to the Directors might be regarded as aligning the interests of the Directors with those of Shareholders; and
- (q) the Directors and the Deed Administrators are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 7 to 9.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Securities to the Directors (or their respective nominee/s) as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Securities to the Directors (or their respective nominee/s) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1

## **6.5 Valuation of Options**

The Proponent Options and Options to be issued pursuant to Resolutions 7 to 9 have been valued using the Black & Scholes pricing model. The assumptions that have been used to value the Proponent Options and Options are as follows:

- (a) the last expiry date of the Options is 31 December 2021;
- (b) all of the Options are exercisable at \$0.005 (on a post-Consolidation basis);
- (c) the market price of a Share is \$0.005 (on a post-Consolidation basis);
- (d) a common volatility factor of 25% and 50%;
- (e) an interest rate of 1.5% (based on the Reserve Bank of Australia cash rate at 31 December 2017);
- (f) the valuation ascribed to the Proponent Options and Options may not necessarily represent the market price of the Proponent Options and Options at the date of the valuation; and
- (g) the valuation date for the Proponent Options and Options is 30 November 2017.

The above parameters result in a range of values for an Option expiring on 31 December 2021 of:

	Total number of Options to be issued	Indicative value per Option assuming 25% volatility	Indicative value per Option assuming 50% volatility	Total valuation of Options assuming 25% volatility	Total valuation of Options assuming 50% volatility
Gary Steinepreis (or his nominee/s)	100,000,000	0.13 cents	0.23 cents	\$129,504	\$229,505
Bernard Aylward (or his nominee/s)	2,500,000	0.13 cents	0.23 cents	\$3,237	\$5,737
Daniel Smith (or his nominee/s)	2,500,000	0.13 cents	0.23 cents	\$3,237	\$5,737

The above values assume that the market price of a Share will be \$0.005 (being the issue price of the Shares under the Rights Issue and Placement). The actual market value will not be known until the Shares are quoted on ASX.

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## 7. RESOLUTION 10 – ISSUE OF SHARES

### 7.1 General

Resolution 10 seeks Shareholder approval for the issue of up to 300,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.005 per Share to raise up to \$1,500,000 (**Placement**). The Directors are seeking the approval of Shareholders to have the additional capacity to raise further capital following the Rights Issue. There is no guarantee that the Company will utilise the Placement in full, or at all.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 10 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

## 7.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 10:

- (a) the maximum number of Shares to be issued is 300,000,000 (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be \$0.005 per Share (on a post-Consolidation basis);
- (d) the Shares will be issued to third parties pursuant to a separate offer under the Prospectus and none of these subscribers will be related parties of the Company other than those Shares issued to Directors who may participate in the Shortfall Placement in accordance with the Shareholder approval being sought under Resolutions 7 to 9;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Placement in the manner set out in Section 1.5.

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## 8. RESOLUTION 11 – REPLACEMENT OF CONSTITUTION

### 8.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 11 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2013.

The Directors and Deed Administrators believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors and Deed Administrators believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the office of the Deed Administrators (235 St Georges Terrace, Perth WA 6000). A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Deed Administrators (+61 8 9263 7720). Shareholders are invited to contact the Deed Administrators if they have any queries or concerns.

Resolution 11 is subject to all Resolutions being approved by Shareholders.

## **8.2 Summary of material proposed changes**

### **Minimum Shareholding (clause 3)**

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

### **Fee for registration of off market transfers (clause 8.4(c))**

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

### **Rotation of Directors (clause 13 and 17.4)**

At the Company's annual general meeting held on 29 November 2013, Shareholders resolved to amend the Constitution such that all Directors (including the Managing Director) are subject to election or re-election at each annual general meeting. At the time, the Company was listed on the Toronto Stock Exchange and the amendments to the Constitution were made for the purposes of compliance with the TSX Company Manual.

Following the appointment of the administrators of the Company, the Company was delisted from the Toronto Stock Exchange on 25 March 2015.

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer.

The Proposed Constitution is updated to provide, in accordance with the requirements of the ASX Listing Rules, as follows:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (b) the Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (c) a Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election; and
- (d) in determining the number of Directors to retire, no account is to be taken of:
  - (i) a Director who has been appointed by the Directors either to fill a casual vacancy or as an addition to the existing Directors, and who therefore only holds office until the next annual general meeting and is then eligible for election by Shareholders; and/ or
  - (ii) a Managing Director,

each of whom are exempt from retirement by rotation. However, if more than one Managing Director has been appointed by the Directors, only one of them (nominated by the Directors) is entitled to be excluded from any determination of the number of Directors to retire and/or retirement by rotation.

### **Dividends (clause 21)**

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;

- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

### **Partial (proportional) takeover provisions (new clause 35)**

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

#### Information required by section 648G of the Corporations Act

##### *Effect of proposed proportional takeover provisions*

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

##### *Reasons for proportional takeover provisions*

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

##### *Knowledge of any acquisition proposals*

As at the date of this Notice of Annual General Meeting, other than pursuant to the Recapitalisation Proposal the subject of this Notice of Annual General Meeting, no Director or Deed Administrators is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

### *Potential advantages and disadvantages of proportional takeover provisions*

The Directors and Deed Administrators consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (d) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (e) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (c) lost opportunity to sell a portion of their Shares at a premium; and
- (d) the likelihood of a proportional takeover bid succeeding may be reduced.

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## **9. RESOLUTION 12 – ADOPTION OF REMUNERATION REPORT**

### **9.1 General**

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

### **9.2 Voting consequences**

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against



adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the previous financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

### 9.3 Previous voting results

Before the date of this Meeting, the Company had not prepared annual financial reports or held an annual general meeting for the financial years since the 2014 financial year due to the Company's external administration.

The Company has called annual general meetings for the financial years ended 30 June 2015 and 30 June 2016 to be held immediately prior to this Meeting.

In the event that:

- (a) at the Company's 2015 annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%; and
- (b) at the Company's 2016 annual general meeting the votes cast against the remuneration report considered at that annual general meeting were more than 25%,

a Spill Resolution will be relevant for this Annual General Meeting, if at least 25% of the votes cast on Resolution 12 are voted against adoption of the Remuneration Report.

### 9.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

Proxy	Directions given	No directions given
Key Management Personnel <sup>1</sup>	Vote as directed	Unable to vote <sup>3</sup>
Chair <sup>2</sup>	Vote as directed	Able to vote at discretion of Proxy <sup>4</sup>
Other	Vote as directed	Able to vote at discretion of Proxy

**Notes:**

- 1. Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.

2. Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of such a member.
3. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.
4. The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

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## **10. RESOLUTION 13 – APPROVAL OF 10% PLACEMENT CAPACITY**

### **10.1 General**

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 13, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 10.2 below).

The effect of Resolution 13 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under ASX Listing Rule 7.1.

Resolution 13 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 13 for it to be passed.

### **10.2 ASX Listing Rule 7.1A**

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has 1 class of Equity Securities on issue, being the Shares (ASX Code: LSA).

The exact number of Equity Securities that the Company may issue under an approval under ASX Listing Rule 7.1A will be calculated according to the following formula:

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

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under ASX Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
  - (iv) less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

### 10.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 13:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded 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 ASX trading days of the date in Section 10.3(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and

- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

**(10% Placement Capacity Period).**

**(c) Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 13 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.0025 50% decrease in Issue Price	\$0.005 Issue Price	\$0.0075 50% increase in Issue Price
753,856,170 (Current)	Shares issued	753,856,170 Shares	753,856,170 Shares	753,856,170 Shares
	Funds raised	\$188,464	\$376,928	\$565,392
1,130,784,255 (50% increase)	Shares issued	113,078,425 Shares	113,078,425 Shares	113,078,425 Shares
	Funds raised	\$282,696	\$565,392	\$848,088
1,507,712,340 (100% increase)	Shares issued	150,771,234 Shares	150,771,234 Shares	150,771,234 Shares
	Funds raised	\$376,928	\$753,856	\$1,130,784

\*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1.

**The table above uses the following assumptions:**

1. There are currently 753,856,172 Shares on issue (on a post-Consolidation basis) comprising:
  - (a) 33,078,652 existing Shares as at the date of this Notice of Meeting;
  - (b) 330,786,520 Shares, assuming Resolution 2 is passed and the Rights Issue, and any associated Shortfall Placement, is fully subscribed;
  - (c) 20,000,000 Shares, assuming Resolution 3 is passed;
  - (d) 70,000,000 Proponent Shares if Resolution 7 is passed; and
  - (e) 300,000,000 Shares if Resolution 10 is passed and the Placement is fully subscribed at this Meeting,

- but does not include any additional Shares issued upon the exercise of the 105,000,000 Options that will be issued if Resolutions 7, 8 and 9 are passed, and assuming all other Recapitalisation Resolutions are passed.
2. The issue price set out above is the issue price of Shares under the Rights Issue price, being \$0.005.
  3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
  4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
  5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
  6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
  7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
  8. 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%.
  9. 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 Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised to meet working capital requirements to investigate additional acquisitions of or investments in projects to complement the Retained Assets; or
- (ii) as non-cash consideration for the acquisition of new projects or otherwise as consideration for services rendered by non-related third parties to the Company, where it is considered appropriate by the Board to do so. In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the allottees under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders under ASX Listing Rule 7.1A at its annual general meeting held on 27 November 2014.

The Company has not issued any Equity Securities in the 12 months preceding the date of this Meeting.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

## 10.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 13.

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## 11. RESOLUTION 14 – SPILL RESOLUTION

**If less than 25% of the votes cast on the remuneration report of the Company's 2015 Annual General Meeting are voted against adoption of the remuneration report considered at that meeting, the Chair will withdraw Resolution 14.**

**In addition, if less than 25% of the votes cast on Resolution 12 are voted against adoption of the Remuneration Report, the Chair will withdraw Resolution 14.**

### 11.1 General

The Corporations Act requirements for this Resolution to be put to vote are set out in Section 9.2.

The effect of Resolution 14 being passed is the Company will be required to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**) and the Vacating Directors will cease to hold office immediately before the end of the Spill Meeting. The business of the Spill Meeting will be to put to vote resolutions to appoint persons to offices vacated by the Vacating Directors.

In the event a Spill Meeting is required a separate notice of meeting will be distributed to Shareholders with details about those persons that will seek election as directors of the Company at the Spill Meeting.

### 11.2 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the voting restrictions set out in Section 9.4 apply in the same manner to this Resolution.

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## GLOSSARY

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**10% Placement Capacity** has the meaning given in Section 10.1.

**\$** means Australian dollars.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**ASX Waiver** has the meaning given in Section 3.2.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) for the purposes of the definition of 'closely related party' in the *Corporations Act*.

**Company** means Lachlan Star Limited (Subject to Deed of Company Arrangement) (ACN 000 759 535).

**Consolidation** means the consolidation, on a one (1) for five (5) basis, of the Company's existing Securities.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Deed Administrators** means Messrs Matthew Woods and Hayden White of KPMG.

**DOCA** means the deed of company arrangement between the Company, the Proponent and Messrs Matthew Woods and Hayden White of KPMG dated 28 August 2015 as varied, which embodies the Recapitalisation Proposal.



**Directors** means the current directors of the Company.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Managing Director** means the managing director of the Company who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office.

**Notice** or **Notice of Meeting** means this notice of annual meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Placement** has the meaning given in Section 7.1.

**Proponent** means Ascent Capital Holdings Pty Ltd (ACN 118 292 238).

**Proponent Options** means 100,000,000 Options (on a post-Consolidation basis), to be issued to the Proponent (or its nominee/s) exercisable at \$0.005 each on or before 31 December 2021.

**Proponent Shares** means up to 70,000,000 Shares (on a post-Consolidation basis), to be issued to the Proponent (or its nominee/s) at an issue price of \$0.0025 each, to raise up to \$175,000.

**Proxy Form** means the proxy form accompanying the Notice.

**Recapitalisation Proposal** means the proposal submitted by the Proponent to the Deed Administrators to reconstruct and recapitalise the Company in order that the Company can continue to operate as a going concern and seek reinstatement to trading on ASX.

**Recapitalisation Resolutions** means Resolutions 1 to 3 inclusive, and 7 to 10 (inclusive).

**Related Party Securities** has the meaning given in Section 6.1.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2017.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Rights Issue** or **Offer** has the meaning given in Section 3.1

**Section** means a section of the Explanatory Statement.

**Security** means a Share or Option as the context requires.

**Securityholder** means a holder of a Security.

**Settlement** means settlement and completion of the Recapitalisation Proposal.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Shortfall** means the Shares not applied for under the Rights Issue.

**Shortfall Placement** has the meaning given in Section 6.1.

**Shortfall Shares** means those Shares issued pursuant to the Shortfall.

**Substantial Holder** has the meaning given in the ASX Listing Rules.

**Vacating Directors** means the Directors who were directors of the Company when the resolution to make the directors' report considered at the last annual general meeting of the Company was passed, other than the Managing Director at that time.

**Variable A** means "A" as set out in the calculation in Section 10.2.

**WST** means Western Standard Time as observed in Perth, Western Australia.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

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(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.005 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 31 December 2021 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company

must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(n) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

**SCHEDULE 2 – PRO-FORMA BALANCE SHEET – 31 DECEMBER 2017 UNAUDITED**

	LSA Audited 30-Jun-17	DOCA Adjustments	DOCA settlement	DOCA Shares	DOCA loan repayment and fees	Proponent and Director Options	Rights issue	Placement	Total Proforma
ASSETS	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Current assets</b>									
Cash and cash equivalents	15,207	-15,207		175,000			1,653,933	1,500,000	3,328,933
- Capital raising					-675,000				-675,000
- DOCA payment					-250,000				-250,000
- Repayment of DOCA loan and fees									
- Capital raising costs							-150,000	-150,000	-300,000
Trade and other receivables	41,584	-41,584							-
<b>Total current assets</b>	<b>56,791</b>	<b>-56,791</b>		<b>175,000</b>	<b>-925,000</b>		<b>1,503,933</b>	<b>1,350,000</b>	<b>2,103,933</b>
<b>Total assets</b>	<b>56,791</b>	<b>-56,791</b>		<b>175,000</b>	<b>-925,000</b>		<b>1,503,933</b>	<b>1,350,000</b>	<b>2,103,933</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Trade and other payables	1,364,871	-1,364,871	-675,000		675,000				-
<b>Total current liabilities</b>	<b>1,364,871</b>	<b>-1,364,871</b>	<b>-675,000</b>		<b>675,000</b>				<b>-</b>
<b>Total liabilities</b>	<b>1,364,871</b>	<b>-1,364,871</b>	<b>-675,000</b>		<b>675,000</b>				<b>-</b>
<b>NET ASSETS/LIABILITIES</b>	<b>-1,308,080</b>	<b>1,308,080</b>	<b>-675,000</b>	<b>175,000</b>	<b>-250,000</b>		<b>1,503,933</b>	<b>1,350,000</b>	<b>2,103,933</b>
<b>EQUITY</b>									
<b>Issued Capital</b>									
- Capital raising	226,058,062			175,000			1,653,933	1,500,000	226,058,062
- Creditor's trust shares				100,000					100,000
- Capital raising costs							-150,000	-150,000	-300,000
<b>Option premium reserve</b>									
Accumulated losses	-227,366,142	1,308,080	-675,000	-100,000	-250,000	135,979	-135,979		135,979
<b>TOTAL EQUITY</b>	<b>-1,308,080</b>	<b>1,308,080</b>	<b>-675,000</b>	<b>175,000</b>	<b>-250,000</b>		<b>1,503,933</b>	<b>1,350,000</b>	<b>2,103,933</b>

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## PROXY FORM

**LACHLAN STAR LIMITED**  
**(SUBJECT TO DEED OF COMPANY ARRANGEMENT)**  
**(ACN 000 759 535)**  
**ANNUAL GENERAL MEETING**

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

**OR:**  the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 9.00am on 19 March 2018 at KPMG, 235 St Georges Terrace, Perth, Western Australia, 6000, and at any adjournment thereof.

### CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

**The Chair intends to vote undirected proxies in favour of all Resolutions other than Resolution 14 where the Chair intends to vote against. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.**

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of Rights Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Creditors' Trust Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Director – Gary Steinepreis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Election of Director – Bernard Aylward	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Election of Director – Daniel Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Securities to a Related Party – Gary Steinepreis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Securities to a Related Party – Bernard Aylward	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Issue of Securities to a Related Party – Daniel Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

### Signature of Shareholder(s):

#### Individual or Shareholder 1

Sole Director/Company Secretary

#### Shareholder 2

Director

#### Shareholder 3

Director/Company Secretary

Date: \_\_\_\_\_

Contact name: \_\_\_\_\_

Contact ph (daytime): \_\_\_\_\_

E-mail address: \_\_\_\_\_

Consent for contact by e-mail  
in relation to this Proxy Form: YES  NO

## Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to the attention of Matthew Woods and Hayden White (Deed Administrators), Lachlan Star Limited (Subject to Deed of Company Arrangement), c/o KPMG, GPO Box A29, Perth WA 6837; or
  - (b) facsimile to the Company on facsimile number +61 8 9413 7307; or
  - (c) email to the Company at nsayer@kpmg.com.au, attention Nick Sayer,so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**