
NAVIGATOR RESOURCES LIMITED
(Subject to Deed of Company Arrangement)

ACN 063 366 487

**NOTICE OF EXTRAORDINARY GENERAL
MEETING**

EXPLANATORY STATEMENT

PROXY FORM

TIME: 10:30AM (AWST)

DATE: 21 January 2016

PLACE: Otsana Capital, 108 Outram Street, West Perth, WA

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.

Stantons International Securities Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**) has prepared the Independent Expert's Report and has provided an opinion that it believes the proposals as outlined in Resolution 8 of this Notice of Meeting are fair and reasonable to the non-associated Shareholders of the Company.

A copy of the Independent Expert's Report is contained in Annexure A of this Notice of Meeting. It is recommended that all Shareholders read the Independent Expert's Report in full.

The Deed Administrator has not prepared the Notice of Meeting, the Explanatory Statement, the Independent Experts Report or the Proxy Form. Accordingly, the Deed Administrator, his servants, agents and employees do not make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contain in those documents and accepts no responsibility or liability for the content of these documents, or failure to include any information or disclosures in these documents which have been prepared by the New Board or Stantons.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact Philip Girling of the Deed Administrator's office on (08) 9322 2022

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be at 10:30AM (AWST) on 21 January 2016 at: Otsana Capital, 108 Outram Street, West Perth, WA.

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and either:

- (a) deliver the proxy form:
 - (i) by hand to Pitcher Partners, Attention: Philip Girling, Level 1, 914 Hay Street, Perth WA, 6000; or
 - (ii) by post to Pitcher Partners, Attention: Philip Girling, P.O Box 7191, Cloisters Square, WA, 6850

(b) by facsimile to Pitcher Partners, Attention: Philip Girling on (08) 9322 1262

so that it is received not later than 10:30AM (AWST) on 19 January 2016.

Proxy Forms received later than this time will be invalid.

LETTER TO SHAREHOLDERS

Dear Shareholder,

As you are aware, on 28 March 2013 Navigator Resources Limited (ACN 063 366 487) (subject to Deed of Company Arrangement) (**Company** or **NAV**) was placed into voluntary administration, with Mr Bryan Hughes of Pitchers Partners appointed as Administrator (**Administrator** and **Deed Administrator**) of the Company and assumed control of the Company and its business, property and affairs.

A deed of company arrangement was entered into on 31 May 2013.

On 11 August 2015, creditors of the Company (**Creditors**) voted in favour of a revision of the deed of company arrangement (**DOCA**) submitted by a syndicate of investors formed by Otsana Capital (**Otsana**) and Auxano LLP (**Auxano**) (together forms part of the "**Syndicate**"), which dealt with the Company's Cummins Range rare earths exploration project and also contemplated the subsequent restructure and recapitalisation of the Company including the settlement of the claims of the Creditors (**Proposal**).

On 9 September 2015, the Deed Administrator entered into a variation of the previous arrangements and the DOCA with the Syndicate to effect the terms of the Proposal was executed (**DOCA**).

The Proposal requires, and is subject to, various approvals being obtained from the Shareholders of the Company. Accordingly, the Deed Administrator have called an Extraordinary General Meeting of the Company to obtain the necessary Shareholder approvals. The Extraordinary General Meeting will be held at 10:30AM (AWST) on 21 January 2016 at Otsana Capital, 108 Outram Street, West Perth, WA (**Meeting**). Enclosed with this letter are the Notice of the Extraordinary General Meeting (**Notice**), the Explanatory Statement and the Independent Expert's Report prepared by Stantons Securities International Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**).

A summary of the Proposal, conditions of the Proposal, the pro-forma capital structure, the proposed use of funds and the conditions to reinstatement to Official Quotation on the ASX can be found at the beginning of the Explanatory Statement on page 18 of this Notice.

Shareholders are urged to give careful consideration to this Notice, the Explanatory Statement and the Independent Expert's Report prepared by Stantons, as the Resolutions contained in this Notice are important and affect the future of the Company.

In considering the 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 20 February 2013 and the Company requires recapitalisation to continue its operations and seek re-quotation of its Securities on ASX. The Resolutions contained in this Notice are therefore important and affect the future of the Company. Shareholders are urged to give careful consideration to this Notice and the contents of this Explanatory Statement.

The Deed Administrator considered in the Administrator's Report pursuant to section 445F of the Corporations Act 2001 dated 31 July 2015 that the Proposal would result in a greater return to Creditors than the Company being placed in liquidation. The proposed New Board also believe this to be a realistic option to enable the Company to continue operating. The Deed Administrator will need to investigate other options for the Company if this restructure and recapitalisation is not approved by Shareholders, which will include liquidation (unless

otherwise agreed between the Syndicate and the Deed Administrator), in which case it is expected there will be no return to Shareholders.

The Deed Administrator has not prepared the Notice of Meeting, the Explanatory Statement, the Independent Experts Report or the Proxy Form. Accordingly, the Deed Administrator, his servants, agents and employees do not make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contain in those documents and accepts no responsibility or liability for the content of these documents, or failure to include any information or disclosures in these documents which have been prepared by the New Board or Stantons.

Yours faithfully

**Bryan Hughes
Deed Administrator
Navigator Resources Limited
(Subject to Deed of Company Arrangement)**

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the Extraordinary General Meeting of Shareholders of Navigator Resources Limited (ACN 063 366 487) (subject to Deed of Company Arrangement) will be held at 10:30AM on 21 January 2016 at Otsana Capital, 108 Outram Street, West Perth, WA (**Meeting**).

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that the Shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's Share Register at 7pm (AWST) on 19 January 2016 (**Entitlement Time**). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

The Explanatory Statement that accompanies and forms part of this Notice of Extraordinary General Meeting (**Notice**) describes in more detail the matters to be considered at the Meeting. In addition, the Explanatory Statement should be read in conjunction with the Independent Expert's Report prepared by Stantons International Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**) contained in Annexure A.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

RESOLUTIONS

1. RESOLUTION 1 – ISSUE OF SECURITIES PURSUANT TO THE FIRST PLACEMENT

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, for the purpose of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. up to 200,000,000 fully paid ordinary shares to Auxano (or its nominees) and other investors that are invited by the Company as part of the Proposal (**First Placement A Shares**) at an issue price of \$0.0025 per First Placement A Share to raise up to \$500,000;*
- b. up to 25,000,000 fully paid ordinary shares to Otsana (or its nominees) and other investors that are invited by the Company as part of the Proposal (**First Placement B Shares**) at an issue price of \$0.00001 per First Placement B Share to raise up to \$250;*
- c. up to 150,000,000 Options to each subscribe for one (1) Share in the Company to Auxano (or its nominees) and other investors that are invited by the Company as part of the Proposal (**First Placement Options**) for nil consideration, with each First Placement Option exercisable at \$0.01 expiring 3 years from the date of issue; and*
- d. up to 25,000,000 Options to each subscribe for one (1) Share in the Company to Otsana (or its nominees) and other investors that are invited by the Company as part of the Proposal (**First Placement Options**) for nil consideration, with each First Placement Option exercisable at \$0.01 expiring 3 years from the date of issue,*

on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 1 by:

- (a) a person who is proposing to participate in the issue;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**the Chair**) 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.

2. RESOLUTION 2 – ISSUE OF SECOND PLACEMENT 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 Resolutions (other than Resolutions 13-16 (inclusive)) being passed, for the purpose of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. up to 150,000,000 fully paid ordinary shares to general investors (that may include members of the Syndicate (or its nominees)) (**Second Placement Shares**) at an issue price of \$0.01 per Second Placement Share to raise up to \$1,500,000,*

on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 2 by:

- (a) a person who is proposing to participate in the issue;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**the Chair**) 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.

3. RESOLUTION 3 – APPROVAL OF FUTURE ISSUE OF 50,000,000 MANAGEMENT OPTIONS

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

*“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, for the purpose of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue of 50,000,000 options to proposed Directors, key management and advisers of the Company (or their nominees) (**Management Options**) for nil consideration at an exercise price of \$0.02 per Management Option with terms described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”*

Voting exclusion statement: The Company will disregard any votes cast on Resolution 3 by:

- (a) a person who is proposing to participate in the issue;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**the Chair**) 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.

4. RESOLUTION 4 – ACQUISITION OF A RELEVANT INTEREST

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, for the purpose of section 611 (item 7) of the Corporations Act and for all other purposes, the Shareholders of the Company approve:

a. the issue of:

- i. up to 225,000,000 First Placement Shares;*
 - ii. up to 175,000,000 First Placement Options;*
 - iii. up to 50,000,000 Second Placement Shares; and*
 - iv. 50,000,000 Management Options,*
- to the Syndicate (or its nominees); and*

b. the acquisition of a relevant interest in the issued voting Shares of the Company by the Syndicate (or its nominees) in excess of the threshold prescribed by section 606(1) of the Corporations Act, on the terms and conditions,

all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting power of the Syndicate (or its nominees): As set out in Table 5 in the Explanatory Statement, the proposed maximum voting power of the Syndicate (or its nominees) on a fully diluted basis is 80.88%.

Independent Expert’s Report (IER): Shareholders should carefully consider the IER prepared by Stantons International Securities for the purpose of seeking Shareholder approval required under section 611 (item 7) of the Corporations Act. The IER comments on the fairness and reasonableness of the transaction to the non-associated Shareholders of the Company and concludes that the transaction is fair and reasonable.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 4 by:

- (a) a person who is proposing to participate in the issue;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**the Chair**) 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.

5. RESOLUTION 5 – RELATED PARTY APPROVAL – GREG RUDDOCK

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. up to 20,000,000 First Placement A Shares;*
- b. up to 15,000,000 First Placement Options;*
- c. up to 5,000,000 Second Placement Shares; and*
- d. up to 3,333,333 Management Options,*

to Greg Ruddock (or his nominee), a proposed Director of the Company, on the terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 5 by:

- (a) Mr Ruddock or his nominee;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**the Chair**) 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.

6. RESOLUTION 6 – RELATED PARTY APPROVAL – JOSHUA MCKEAN

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. up to 20,000,000 First Placement A Shares;*
- b. up to 15,000,000 First Placement Options;*
- c. up to 5,000,000 Second Placement Shares; and*
- d. up to 3,333,333 Management Options,*

to Joshua McKean (or his nominee), a proposed Director of the Company, on the terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 6 by:

- (a) Mr McKean or his nominee;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**the Chair**) 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.

7. RESOLUTION 7 – RELATED PARTY APPROVAL – GLEN DOBBIE

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. up to 45,000,000 First Placement A Shares;*
- b. up to 36,600,000 First Placement Options;*
- c. up to 11,250,000 Second Placement Shares; and*
- d. up to 13,942,856 Management Options,*

to Glen Dobbie (or his nominee), a proposed Director of the Company, on the terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 7 by:

- (a) Mr Dobbie or his nominee;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**the Chair**) 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.

8. RESOLUTION 8 – RELATED PARTY APPROVAL – MALCOLM KEEFE

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. up to 20,000,000 First Placement A Shares;*
- b. up to 15,000,000 First Placement Options;*
- c. up to 5,000,000 Second Placement Shares; and*
- d. up to 5,714,286 Management Options,*

to Malcolm Keefe (or his nominee), a proposed Director of the Company, on the terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 8 by:

- (a) Mr Keefe or his nominee;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**the Chair**) 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.

9. RESOLUTION 9 – ELECTION OF MR GREG RUDDOCK AS A DIRECTOR

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, pursuant to clause 7.2 of the Company’s constitution, Mr Greg Ruddock, being eligible and having consented to act, be elected as a Director of the Company, effective immediately after the removal and/or resignation of the current Board of Directors.”

10. RESOLUTION 10 – ELECTION OF MR JOSHUA MCKEAN AS A DIRECTOR

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, pursuant to clause 7.2 of the Company’s constitution, Mr Joshua McKean, being eligible and having consented to act, be elected as a Director of the Company, effective immediately after the removal and/or resignation of the current Board of Directors.”

11. RESOLUTION 11 – ELECTION OF MR GLEN DOBBIE AS A DIRECTOR

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, pursuant to clause 7.2 of the Company’s constitution, Mr Glen Dobbie, being eligible and having consented to act, be elected as a Director of the Company, effective immediately after the removal and/or resignation of the current Board of Directors.”

12. RESOLUTION 12 – ELECTION OF MR MALCOLM KEEFE AS A DIRECTOR

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

“That, subject to all other Resolutions (other than Resolutions 13-16 (inclusive)) being passed, pursuant to clause 7.2 of the Company’s constitution, Mr Malcolm Keefe being eligible and having consented to act, be elected as a Director of the Company, effective immediately after the removal and/or resignation of the current Board of Directors.”

13. RESOLUTION 13 – REPEAL AND ADOPTION OF A CONSTITUTION

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

“That, subject to all other Resolutions (other than Resolutions 14, 15 and 16) being passed, in accordance with section 136 of the Corporations Act, the constitution of the Company be repealed and replaced with a constitution in the form of the document entitled “Constitution of Navigator Resources Limited” tabled at this Meeting, and signed by the Deed Administrator for the purposes of identification, effective immediately.”

14. RESOLUTION 14 – REMOVAL OF AUDITOR

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

“That, subject to all other Resolutions (other than Resolutions 13, 15 and 16) being passed, pursuant to section 329 of the Corporations Act and for all other purposes, approval is given for the removal of HLB Mann Judd as the current auditor of the Company, effective immediately.”

15. RESOLUTION 15 – APPOINTMENT OF AUDITOR

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

“That, subject to all other Resolutions (other than Resolutions 13, 14 and 16) being passed, pursuant to s 327 of the Corporations Act and for all other purposes, having been nominated by a Shareholder and consented in writing to act in the capacity of auditor, approval is given for the appointment of PKF Hacketts Audit (ABN 33 873 151 348), effective immediately.”

16. RESOLUTION 16 – INCREASE NON-EXECUTIVE DIRECTORS' FEE POOL

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

"That, subject to all other Resolutions (other than Resolutions 13, 14 and 15) being passed, pursuant to ASX Listing Rule 10.17 and for all other purposes, the maximum aggregate amount of remuneration that may be paid to the Company's non-executive directors in any financial year is increase by \$300,000, from \$200,000 to \$500,000, effective immediately."

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 16 by:

- (a) any Directors of the Company or an associate of a Director, regardless of the capacity in which the vote is cast; and
- (b) as a proxy by a person who is a member of the Company's KMP at the date of this Meeting or their closely related parties.

However, the Company will not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair 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.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 10:30AM (AWST) on 21 January 2016 at Otsana Capital, 108 Outram Street, West Perth, WA.

Shareholders should read this Explanatory Statement in full because individual sections do not give a comprehensive review of the Resolutions. In addition, this Explanatory Statement should be read in conjunction with the accompanying Notice and the Independent Expert's Report prepared by Stantons International Securities Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**) contained in Annexure A.

The purpose of this Explanatory Statement is to provide information which the New Board believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the Extraordinary General Meeting are set out below.

Background to the Recapitalisation

1. Summary of the terms of the Proposal

The Proposal involves:

- (a) The Syndicate arranging for the injection of approximately \$ 2,000,250 of cash into the Company in return for an issue of fully paid ordinary shares in the Company representing an interest of approximately 80.88% of the total issued capital of the Company (on a fully diluted basis).
- (b) The Company retaining, all of the unencumbered assets of NAV including all of the Company's remaining assets including but not limited to NAV's Cummins Range project, consisting of one exploration licence E80/2232 which is 100% held by the Company, and covering an area of 48.5 kilometres, located 130 kilometres southwest of Halls Creek in the East Kimberly, Western Australia (**Cummins Range Project**), registered business names, intellectual property, goodwill, domain names, websites, customer/supplier lists, any remaining contracts (where agreed by the Syndicate), and all other assets to operate the business (**NAV Business**) be retained by NAV. The NAV Business must remain as an unencumbered asset of the Company to enable the Company to be reinstated to trading on the Australian Securities Exchange Limited (**ASX**). In addition, all other liabilities and obligations of the Company are to be released pursuant to the terms of the DOCA.
- (c) The Company making a payment of \$615,000 to pay to the Deed Administrator for the benefit of the Creditors Trust (**Creditor Payment**) for control of NAV and 100% of the NAV Business. All other liabilities and obligations of the Company up until the appointment of the Administrator will be compromised under the DOCA.

(d) The Company raising new equity by way of the following placements (which will be made pursuant to a prospectus and as noted in paragraph (a) above:

(i) a first placement of:

(A) 225 million fully paid ordinary shares in the Company (**First Placement Shares**), issued in two tranches, at an issue price of:

a. 200,000,000 shares (**First Placement A Shares**) at \$0.0025 per share to raise \$500,000 to Auxano (or its nominees) and other investors that are invited by the Company as part of the Proposal; and

b. 25,000,000 shares (**First Placement B Shares**) at \$0.00001 per share to raise \$250 to Otsana (or its nominees) and other investors that are invited by the Company as part of the Proposal; and

(B) up to 150,000,000 Options to each subscribe for one (1) Share in the Company to Auxano (or its nominees) and other investors that are invited by the Company as part of the Proposal (**First Placement Options**) for nil consideration, with each First Placement Option exercisable at \$0.01 expiring 3 years from the date of issue; and

(C) up to 25,000,000 Options to each subscribe for one (1) Share in the Company to Otsana (or its nominees) and other investors that are invited by the Company as part of the Proposal (**First Placement Options**) for nil consideration, with each First Placement Option exercisable at \$0.01 expiring 3 years from the date of issue,

(issue of First Placement Shares and First Placement Options collectively referred to as the **First Placement**)

(ii) a second placement of up to 150 million fully paid ordinary shares in the Company (**Second Placement Shares**) at an issue price of \$0.01 per Second Placement Share to raise up to \$1,500,000 to general investors, that may include members of the Syndicate (or its nominees) (**Second Placement**).

A total of up to 105,000,000 First Placement A Shares, up to 81,600,000 First Placement Options and up to 26,250,000 Second Placement Shares and 26,323,808 management options (collectively referred to as the **Related Party Securities**) are proposed to be placed to the proposed Directors (or their nominees) referred to in Resolutions 5, 6, 7 and 8 inclusive in this Notice of Meeting.

Note: completion of the Proposal is conditional on the capital raising.

(e) Subject to Shareholder approval being obtained for the Proposal under this Notice of Meeting, all existing Directors and officers of the Company being either removed by the Deed Administrator or resigning from the Company.

- (f) Subject to Shareholder approval being obtained for the Proposal under this Notice of Meeting, the proposed Directors, Greg Ruddock, Joshua McKean, Glen Dobbie and Malcolm Keefe being appointed to the Board of the Company (collectively known as the **New Board**). Resolutions 9, 10, 11 and 12 inclusive in this Notice of Meeting seek Shareholder approval for these appointments.
- (g) The Company making available any cash at bank, its rights in its sundry debtors (and any other assets not purchased by the Syndicate) for the benefit of the Creditors pursuant to the terms of the DOCA.
- (h) Immediately following the satisfaction of the general conditions set out under Section 2 below, the Deed Administrator facilitating all necessary and assignments to the Creditors Trust, including payments totalling \$615,000 and the DOCA terminating thereafter by performance.
- (i) In the event that the Proposal and the Resolutions under this Notice of Meeting are not approved by Shareholders of the Company, the DOCA terminating and the Company being placed into liquidation, or possibly pursuing other proposals.
- (j) In the event that the Proposal and the Resolutions under this Notice of Meeting are approved by Shareholders of the Company, with all other conditions precedent being satisfied, the Creditor Payment will be paid from the proceeds under the capital raising, and the DOCA will be effectuated.
- (k) The control of the Company remaining with the Deed Administrator until the termination of the DOCA.
- (l) The Syndicate changing the Constitution of the Company (as proposed by Resolution 13 of this Notice) and the auditor of the Company (as proposed by Resolutions 14 and 15 of this Notice).
- (m) The Syndicate increasing the non-executive directors' fee pool (as proposed in Resolution 16 of this Notice).

2. Summary of the conditions of the Proposal

In addition to the required Shareholder approvals (as detailed in this Notice), the Proposal is also subject to the following general conditions precedent:

- (a) all liabilities and long term commitments of the Company as at settlement of the Proposal being released and compromised via a DOCA that reflects the terms of the offer made by the Syndicate;
- (b) all creditors will be required to prove debts against the Trustee of the Creditors' Trust as if they were the Company and payments to creditors shall be made in accordance with the DOCA and the Creditors' Trust deed;
- (c) ASX providing written confirmation to the Company that it will lift the suspension on the trading of the securities of the Company immediately following completion of the capital raisings without the need to re-comply with Chapters 1 and 2 of the Listing Rules on finalising the DOCA. The Syndicate will assist in seeking such confirmations from the ASX;
- (d) The receipt of shareholder approval with respect to the terms of the proposal which is being sought under this Notice of Meeting; and

- (e) The de-registration and removal of all securities interests over the Company and its assets on the Personal Property Securities Register before or in conjunction with the payment of the Creditor Payment.

General conditions (a) – (b) above will be satisfied at the point the DOCA is effectuated, which would be shortly after this Meeting takes place. The Company has received written confirmation from the ASX satisfying general condition (c).

3. Proposed pro-forma capital structure of the Company

The proposed capital structure of the Company following completion of the Proposal is summarised below:

Table 1 – Proposed pro-forma capital structure

Capital structure	Shares	Unlisted Options
Existing Shares	18,223,695	
First Placement Securities (Resolution 1) ^(a)	225,000,000	175,000,000
Second Placement Securities (Resolution 2) ^(b)	150,000,000	-
Management Options (Resolution 3)	-	50,000,000
Completion of all Resolutions	393,223,695	225,000,000

Notes:

- (a) The First Placement Securities include the issue of the Securities to the Related Parties and Syndicate pursuant to Resolutions 4 – 8 of this Notice.
- (b) Assumes that the Second Placement is fully subscribed. The Second Placement Securities include the issue of the Related Party Securities to the Directors pursuant to Resolutions 4 – 8 of this Notice and others.

4. Proposed business strategy and use of funds raised by the Company

Business Strategy

The Company's exploration project, Cummins Range Project, is located 130km southwest of Halls Creek in the East Kimberly, Western Australia. The project consists of one exploration licence, E80/2232, which covers an area of 48.5 square kilometres, and is 100% held by the Company.

The Cummins Range Project is hosted within the Cummins Range carbonatite pipe, a 905Ma diatreme pipe forming part of a small alkaline intrusive complex located near the junction of the Halls Creek Orogen and the King Leopold Orogen.

In May 2011 an ultra-detailed aeromagnetic survey was performed over the Cummins Range pipe and surrounding country rock was flown in July 2011 at an altitude of 20 metres and with a total of 2,000 line kilometres.

Following on from the airborne survey a closed spaced ground gravity survey was completed at a station spacing of 100 metres by 50 metres over the central portion of the pipe, expanding to 200 metres by 100 metres over the adjacent country rock to establish background parameters. In total, 3,400 gravity stations were collected.

During July 2011, an auger-sampling program was carried out on a grid of 500 metres by 100 metres to a depth of 2 metres over the entire tenement area. The grid spacing was reduced to 100 metres by 100 metres over the Cummins Range pipe. A total of 1,297 samples were collected and analysed for rare earth elements, resulting in the identification of five geochemical anomalies (threshold 200ppm TREO). Four of the five are located within the Cummins Range pipe.

Exploration was then progressed with an RC drilling programme in September and October 2011, consisting of 77 holes totalling 4,230 metres. aimed at extending and upgrading the existing Inferred resource. The drilling has confirmed a northwest-southeast trend of REO mineralisation that runs parallel to the regional structural fabric of the country rock surrounding the Cummins Range pipe. The deposit is interpreted to be structurally controlled by a central shear zone, which allowed for the carbonate intrusion and a deeper weathering profile.

The RC drilling has also confirmed low levels of thorium in the Cummins Range resource, with an average of 42 ppm Th within the current resource.

A large composite sample was prepared from a range of selected drill samples from the 2011 RC drilling campaign for metallurgical testwork and associated mineralogical study work to be carried out in Australia. The testwork was conducted to determine the potential upgradeability (into concentrate) and to generate an understanding of the mineralogical distribution, liberation and deportment of rare earths within the mineralisation for process flowsheet development and economic assessment.

Mineral Resources

At a cut-off grade of 1.0% TREO, an Inferred mineral resources of 4.17Mt at an average grade of 1.72% TREO, 11.0% P205 and 187 ppm U308 was estimated for the Cummins Range Project projected by Hellman & Schofield Pty Ltd in September 2009, using results from the 2007 RC drilling.

Following the completion of the 2011 RC drilling programme, a mineral resource updated was reported by Hellman & Schofield Pty Ltd in 2012 using the combined 2007 and 2011 datasets. As part of the update an improved geological model was used to define the wireframes used in the estimation process. Grades were estimated using ordinary kriging, with the search ellipse orientated parallel to the primary structural control.

Bulk density data was obtained from reliable downhole density measurements to generate a density provide for the regolith. Density data was, however, only obtained from the northwest quadrant of the resource area and was extrapolated over the whole block model.

In 2012, mineral resources, reported above a 1.0% TREO cut-off grade, are summarised in the table below. The additional drilling has resulted in a 17% tonnage increase with a nominal grade increase.

Table 2: Cummins Range Mineral Resources above a 1% TREO cut-off

Year	Category	Tonnage (Mt)	REO (%)	P205(%)	U308(ppm)	Th(ppm)	Total REO (kt)
2009	Inferred	4.17	1.72	11.0	187	41	72
2012	Inferred	4.90	1.74	11.2	145	48	85
Change		+17%	+1%	+2%	-22%	+18%	+18%

The resources still remain in the Inferred category due to the lack of distribution of density measurements throughout the deposit and sample recovery issues experienced during the 2011 RC drilling program. A conversion from Inferred to Indicated classification is dependent on confirmatory additional fieldwork including density measurements.

After reinstatement, it is the New Board's intention that the Company complete a desktop geological review and verification of existing exploration data with a view to planning an exploration and drilling program to expand mineral resources and improve its classification.

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

Report on Cummins Range Rare Earth Deposit.

Included below is a report prepared by H&S Consultants Pty Ltd. This has been prepared for the purpose of updating the resources estimate of the Cummins Range Project resource, and to comply with the Joint Ore Reserves Committee (**JORC**) 2012 standards. Please refer to this report for further information regarding the most recent estimates of the Cummins Range Project resource.

Resource Estimates - Cummins Range Rare Earth Deposit

H&S Consultants Pty Ltd has been requested by Navigator Resources Limited to update the reporting of the Cummins Range resource estimates to JORC (2012) standards. Previously reported estimates by Kimberley Rare Earths ("KRE", 2012) are tabulated below and were classified as Inferred.

TREOY Cut-off (%)	Tonnes (Mt)	TREOY (%)	U ₃ O ₈ (ppm)	ThO ₂ (ppm)	P ₂ O ₅ (%)	Total REOY (kt)
0.5	10.8	1.2	100	47	10.2	127
1.0	4.9	1.7	145	48	11.2	85

TREOY = TREO + Y₂O₃ and refers total rare earth oxides including yttrium oxide.

These estimates are re-stated below at a range of cut-off grades including the 0.5% and 1.0% cut-offs, purely for comparison with previously reported figures. For reasons discussed in Table 1 of Appendix 1, these cut-offs are considered too low and the classification of an Inferred Resource is now considered only to apply to cut-off grades above 2.5% TREOY.

TREOY Cut-off (%)	Zone	Tonnes (Kt)	TREOY (%)	TLREO (%)	THREOY (%)	U ₃ O ₈ (ppm)	ThO ₂ (ppm)	P ₂ O ₅ (%)	Total REOY (Kt)
1.00	Transitional	4,705	1.74	1.7	0.06	147	48	11.4	81.8
	Oxide	178	1.84	1.7	0.07	113	47	6.1	3.3
	Alluvial	13	1.32	1.2	0.04	79	36	6.1	0.2
	Total	4,896	1.74	1.7	0.06	145	48	11.2	85.2
1.50	Transitional	2,264	2.31	2.2	0.08	192	55	11.8	52.3
	Oxide	89	2.47	2.3	0.09	169	62	7.1	2.2
	Alluvial	2	1.94	1.6	0.07	161	49	3.0	0.0
	Total	2,355	2.31	2.2	0.08	191	55	11.6	54.5
2.00	Transitional	1,162	2.87	2.7	0.10	240	62	11.8	33.4
	Oxide	59	2.85	2.6	0.10	202	66	7.5	1.7
	Alluvial	1	2.18	1.6	0.09	208	55	3.1	0.03
	Total	1,223	2.87	2.7	0.10	238	63	11.5	35.1
2.50	Transitional	649	3.39	3.2	0.12	275	68	11.8	22.0
	Oxide	38	3.20	3.0	0.11	230	71	8.2	1.2
	Alluvial	0.01	2.74	2.2	0.08	175	53	5.1	0.0004
	Total	687	3.38	3.2	0.11	273	68	11.6	23.2
3.00	Transitional	386	3.84	3.6	0.13	301	73	12.0	14.8
	Oxide	25	3.44	3.2	0.12	254	75	8.9	0.9
	Total	411	3.82	3.6	0.13	298	73	11.8	15.7
3.50	Transitional	224	4.28	4.0	0.14	326	76	11.9	9.6
	Oxide	10	3.79	3.7	0.14	301	86	9.8	0.4
	Total	234	4.26	4.0	0.14	325	76	11.8	10.0
4.00	Transitional	121	4.75	4.5	0.15	341	80	11.8	5.7
	Oxide	2	4.22	4.4	0.17	341	100	9.4	0.1
	Total	123	4.74	4.5	0.15	341	81	11.8	5.8

Inferred Resources only apply to cut-offs greater than and including 2.5% TREOY. Figures may not sum due to rounding. TREO = total rare earth oxides, TREOY = TREO + Y₂O₃ and refers total rare earth oxides including yttrium oxide. LREO = light REO (La – Nd), THREOY = total heavy rare earth oxides (Sm – Lu) including Y₂O₃. Decimal places do not imply precision.

The Cummins Range REE project is located 130km southwest of Halls Creek in the East Kimberley, Western Australia. The mineralisation is interpreted to have resulted from supergene processes over a primary carbonatite deposit similar to Mt Weld.

A total of 21 Air-core and 170 Reverse Circulation (RC) drill holes were used for the Mineral Resource estimation. The majority of samples were taken on 1m intervals and sub-sampled using a riffle splitter. Exact details of the sub-sampling technique used for the 77 Kimberly Rare Earths RC drill holes are not known. Samples were sent to Genalysis Laboratory Services, Perth, Western Australia where they underwent sample preparation and peroxide fusion digest followed by ICP-OES and ICP-MS analysis.

The TREO+Y₂O₃, TLREO, THREO, U₃O₈, ThO₂ and P₂O₅ concentrations were estimated using Ordinary Kriging in the geostatistical software GS3. Wireframes encompassing zones over a nominal 0.3% TREOY were constructed and used as a hard boundary so that only samples from within the wireframes were used to estimate blocks within the wireframes.

The entire Mineral Resource is classified as Inferred. Drill holes are on a generally regular grid with a nominal spacing of 50m E-W and 40m N-S. This classification takes into account all relevant factors including relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data. The flat-lying, shallow nature of the mineralisation makes it amenable to open-pitting.

Preliminary non-optimised metallurgical results based on flotation and Wet High Intensity Magnetic Separation ("WHIMS") resulted in a 4.8 times upgrade from 3.55% TREO to a concentrate with 17% TREO, representing a recovery of 50% of the feed TREO. It should be noted that the head grade of this sample is significantly higher than the average grade of the deposit.

Figure 1 illustrates the ranking, in terms of contained metal content, of Cummins Range in relation to over 50 world-wide rare earth deposits. Given that the deposit is described as dominantly monazite-hosted mineralisation it is unlikely to offer any obvious advantages in terms of metallurgical processing to other similar deposits.

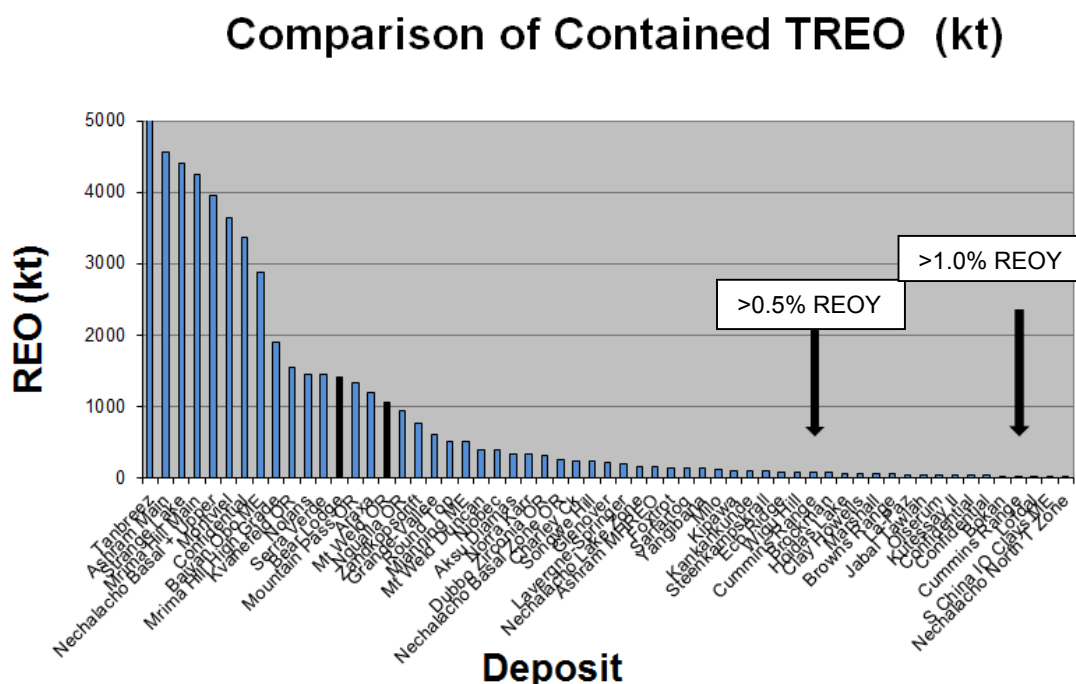


Figure 1. Distribution of contained metal in world-wide rare earth deposits. Arrows mark Cummins Range metal contents above 0.5% and 1.0% rare earth levels. Black bars mark the Mountain Pass and Mt Weld deposits.

Figure 2 illustrates the ranking, in terms of grade, of Cummins Range in relation to over 50 world-wide rare earth deposits. The arrow marks Cummins Range grade above a 1.0% REOY cut-off. Section 20 of JORC

(2012) defines a resource as having “reasonable prospects for eventual economic extraction”. It is clear from Figures 1 and 2 that the combination of grade and total metal content of Cummins Range suggests that there are many other more attractive rare earth deposits in the world. However, it is possible that metallurgical testing may discover some advantage to Cummins Range. At this stage, in the absence of advanced test-work this is not guaranteed and remains speculative. The ratio of light rare earth element oxides to heavy rare earth oxides (including yttrium) is 29 which defines the Cummins Range deposit as a light rare earth enriched deposit similar to Ngualla (Tanzania) and Mt Weld (WA). These two deposits are, however, considerably higher in grade and greater in tonnage than Cummins Range.

Comparison of TREO (%) Grade

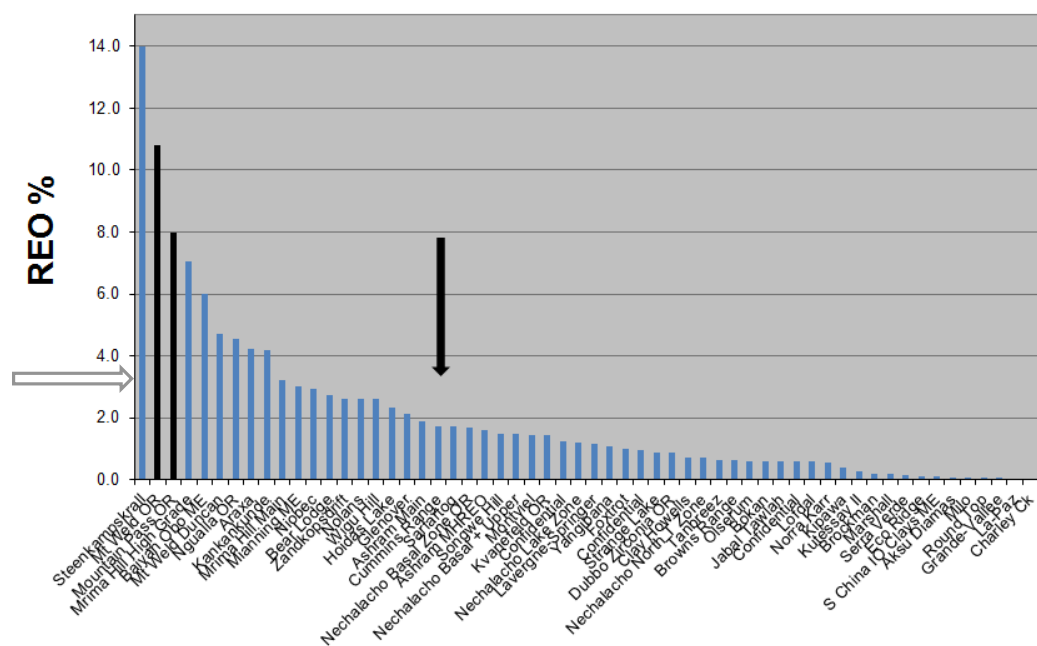


Figure 2. Distribution of grades in world-wide rare earth deposits. Solid arrow marks Cummins Range metal contents above 1.0% rare earth levels. Black bars mark the Mountain Pass and Mt Weld deposits. The grade of Cummins Range above 2.5% TREOY is 3.38% and is shown by an open arrow.

Appendix 1

JORC Code, 2012 Edition – Table 1 Cummins Range REE Deposit

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
<i>Sampling techniques</i>	<ul style="list-style-type: none"> <i>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> <i>In cases where ‘industry standard’ work has been done this would be relatively simple (e.g. ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</i> 	<ul style="list-style-type: none"> A total of 21 Air-core and 170 Reverse Circulation (RC) drill holes were used for the Mineral Resource estimation. Samples from the Navigator RC (93) drill holes were collected both as 4m composites for initial assaying and as 1m samples for follow up assaying of anomalous mineralised zones as defined by the 4m composites. Dry 4m composite samples were spear sampled using a PVC tube and wet 4m composite samples were taken using an aluminium scoop. The 1m samples were collected via a 9:1 riffle splitter. All samples from the 21 Navigator air-core drill holes in the resource estimate were sampled on one metre intervals and sub-sampled using a riffle splitter. Samples from the 77 Kimberly Rare Earths Ltd (KRE) RC drill holes were taken on 1m drill intervals. Exact details of the sample preparation are not known. Both the Navigator and KRE samples were sent to Genalysis Laboratory Services, Perth, Western Australia. Exact details of the sample preparation employed by Genalysis are not known. For the Navigator RC drill holes; the 4m composite samples underwent a 4 acid digest followed by ICP-OES (inductively coupled plasma optical emission spectrometry) and ICP-MS (inductively coupled plasma mass spectrometry) analysis. The 1m Navigator RC and air-core split samples and all the KRE samples underwent a peroxide fusion digest followed by ICP-OES and ICP-MS analysis.
<i>Drilling techniques</i>	<ul style="list-style-type: none"> <i>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).</i> 	<ul style="list-style-type: none"> Between 1978 and 1985 CRA Exploration Pty Ltd (CRAE) drilled the Cummins Range deposit with a total of 123 drill holes comprised of air-core, auger holes, Rotary Air Blast (RAB) holes and two diamond drill holes. These data were not used in the resource estimation due to unreliability of the assay and sampling (Weir, 1989) and are therefore not discussed further.

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> Navigator Resources (Navigator) drilled a total of 21 air-core and 93 Reverse Circulation (RC) drill holes between 2007 and 2008. The RC drill holes were drilled with a 5.25 inch face sampling bit. No record of the core diameter of the air-core drill holes could be found. Kimberly Rare Earths Ltd (KRE) drilled a total of 77 RC drill holes into the Cummins Range deposit. No record of the hole diameter or sampling bit details could be found but it is assumed that a 5.25 inch face sampling hammer was used. No oriented core
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> No record of the recovery of the Navigator or KRE drill holes could be found. Navigator report that most holes had good recovery although it is noted that some holes encountered high ground water flows and karst-type weathering voids. It is assumed that no bias was introduced due to loss/gain of drill sample.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> Logging of all Navigator and KRE holes was carried out over 1m intervals using both quantitative and qualitative descriptions. The recorded details included: lithology, grainsize, weathering, colour, alteration, sulphide quantity and type, structure and veining. Logs are qualitative in nature. The level of detail contained in the drill hole logs is considered to be appropriate to support reporting of Inferred Mineral Resources. No photographs of Navigator or KRE drill holes were available to H&SC. The total length of the intersections logged in the Navigator and KRE holes is 13,185m, equivalent to 94% of the length of Navigator and KRE drill holes.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material 	<ul style="list-style-type: none"> The Navigator RC drill hole samples were collected both as 4m composites for initial assaying and as 1m samples for follow up assaying of anomalous mineralised zones defined by the 4m composites. Dry 4m composite samples were spear sampled using a PVC tube and wet 4m composite samples were taken using an aluminium scoop. The 1m samples were collected via a 9:1 riffle splitter. All the Navigator air-core samples used in the resource estimate were sampled on one metre intervals and sub-sampled using a riffle splitter. The KRE downhole sampling interval is 1m. It is assumed that a riffle splitter was used to separate the sample for analysis. The majority of the samples were sampled dry.

Criteria	JORC Code explanation	Commentary
	<i>being sampled.</i>	<ul style="list-style-type: none"> No information regarding the procedures adopted for sub-sampling stages to maximise representivity of samples was available. KRE submitted one field duplicate from each RC hole drilled. No details are available for sample preparation in the laboratory. The drilling sample sizes are considered to be appropriate for the grain size of the mineralisation.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> <i>For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i> <i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i> 	<ul style="list-style-type: none"> The Navigator and KRE drill holes were assayed by Genalysis. For the Navigator drill holes; the 4m composite samples underwent a 4 acid digest followed by ICP-OES (inductively coupled plasma optical emission spectrometry) and ICP-MS (inductively coupled plasma mass spectrometry) analysis. The 1m Navigator split samples and all the KRE samples underwent a peroxide fusion digest followed by ICP-OES and ICP-MS analysis. All samples were assayed for a large suite of elements including the rare earth elements. The assaying and laboratory procedures are considered appropriate for the style of mineralisation. Navigator did not conduct any QAQC such as use of certified reference materials, blanks, field duplicates, crush duplicates, pulp duplicates or inter-laboratory checks. KRE submitted 378 of the Navigator samples to Genalysis to cross-check the original assays. No assessment of this test work has been seen by H&SC. Throughout the KRE drilling campaign acid and control blanks, certified reference materials and field duplicates were submitted with the drill hole samples. H&SC was provided with a QAQC report that appeared to have been computer generated with little to no analysis of the outcomes of the QAQC results. It would appear that the QAQC results were not monitored or acted upon at the time of receipt. H&SC briefly reviewed the QAQC report and conclude that, although there are issues with individual assays, the level of confidence in the assay data is sufficient for an Inferred Resource.
Verification of sampling and assaying	<ul style="list-style-type: none"> <i>The verification of significant intersections by either independent or alternative company personnel.</i> <i>The use of twinned holes.</i> <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> SRK (2011) personnel reviewed the two CRAE diamond drill holes as part of their site visit in January 2011. The weathered zones were reportedly clearly defined. No twinned holes have been drilled. A small number of samples had not been assayed for the full suite of REO. H&SC used the correlations between the elements to calculate the missing

Criteria	JORC Code explanation	Commentary
		values using regressions. Missing Gd, Tb, Dy, Ho, Er, Tm, Yb, Lu, were calculated using a regression with assayed Eu values and missing Pr, Nd and Sm concentrations were calculated using a regression with Ce.
<i>Location of data points</i>	<ul style="list-style-type: none"> • <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> • The Navigator drill hole collar positions were picked up using a Differential Global Positioning System (DGPS) unit with an accuracy of +/- 1m. No record of the type of DGPS unit used could be found. • The collar positions of the KRE holes were recorded by Whelans, a specialist surveying company. The method of surveying the collar positions could not be found but it is assumed that a DGPS unit with an accuracy of +/-10cm was used. • Location methods used to determine accuracy of drill hole collars is considered appropriate • The Navigator drill holes were downhole surveyed using a single shot Eastman device to record the hole orientation near the end of the drill hole. Some drill holes were also surveyed every 30m. • The KRE drill holes were not subjected to downhole surveying. • The collar position of the KRAE and Navigator drill holes were recorded in the Australian Map Grid 1984 (AMG84) coordinate system, Zone 52. The KRE collar positions were recorded in Map Grid of Australia 1994 (MGA94) coordinate system in Zone 52. The locations of the KRAE and Navigator collars were transformed to MGA94 coordinates by KRE. H&SC has not checked this transformation. • The topographic surface used in the Mineral Resource estimate was created using the drill hole collar positions. The topography of the Cummins Range deposit is relatively flat. The topographic surface used is considered to be adequate for the reported Inferred Resource.
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> • <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> • Drill holes are on a generally regular grid with a nominal spacing of 50m E-W and 40m N-S. • The Navigator drill hole samples were collected both as 4m composites for initial assaying and as 1m samples for follow up assaying of anomalous mineralised zones. • The KRE downhole sampling interval is one metre, samples were not physically composited. • Drill hole spacing of 40 x 50m is appropriate for assessment of geological and grade continuity for this type of deposit at the level of an Inferred Resource. • Maximum drill depth is generally to 300mRL (90m below surface).

Criteria	JORC Code explanation	Commentary
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> The majority of drill holes dip around 60 ° to the south although a few are vertical. The mineralisation is sub-horizontal. Drilling orientations are appropriate.
<i>Sample security</i>	<ul style="list-style-type: none"> <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> No documentation was supplied; industry standards are assumed
<i>Audits or reviews</i>	<ul style="list-style-type: none"> <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> SRK (2011) reviewed the sampling techniques with no adverse findings.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> The Cummins Range project is located 130km southwest of Halls Creek in the East Kimberley, Western Australia. Based on information provided by Navigator Resources Ltd, one Exploration Licence covers the deposit, E80/2232, and consists of 15 blocks totalling 48km² on the northern margin of the Great Sandy Desert. The Exploration Licence is 100% owned by Navigator Resources. The Exploration licence overlies two indigenous-owned pastoral leases: Carranya (PL 3114/1155, 76.5%) and Lamboo (PL 3114/1109, 23.5%). The Project area is subject to a Native Title claim (WC99/020) by the Lamboo People. A work clearance survey covering the full area of E80/2232 was completed in April 2007. No sites of significance were identified.
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> In 1977 an aeromagnetic survey was flown over the area CRAE followed up with ground inspection of a large, discrete magnetic anomaly and discovered the Cummins Range carbonatite. CRAE held the mineral claims, exploration licenses and mining leases from 1979 to 1990. Between 1978 and 1984 CRAE conducted a detailed ground magnetic survey, several drilling campaigns including auger, Rotary Air Blast and air-core drilling. The drilling delineated a zone within the centre of the carbonatite, which has a high REE content. In 1984, CRAE completed two diamond drill-holes (402.1m and 402.0m) and one percussion water bore (54 m) into the central portion of the carbonatite complex. Navigator was granted the exploration licenses in May 2001. In 2002 Navigator flew a detailed aeromagnetic survey over the area. In 2007 Navigator conducted an air-core and a RC drilling campaign. Much of the air-core drilling targeted satellite anomalies around the Cummins Range Carbonatite. The RC campaign targeted an area approximately 400 x 500m (E x N) in the central zone of the Cummins Range Carbonatite. In 2010, CSIRO conducted petrographic, electron microscopic and X-ray diffraction studies on a suite of ten samples from Cummins Range and commented that existing mineralogical studies carried out by CRAE concentrated on mineralogy of unweathered carbonatite.

Criteria	JORC Code explanation	Commentary
Geology	<ul style="list-style-type: none"> <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> In 2011 KRE drilled a total of 77 RC drill holes into the Cummins Range Deposit, infilling and extending the drilling carried out by Navigator. The Cummins Range REE mineralisation is interpreted to have resulted from supergene processes over a primary carbonatite deposit similar to Mt Weld. The Cummins Range Carbonatite intrudes a sequence of slate, phyllite and meta-greywacke, correlated with those of the Archean Olympio Formation of the Halls Creek Group. The Cummins Range Carbonatite itself is interpreted to be a composite, sub-vertical pipe complex measuring 1.8 km x 1.7 km in plan view. The complex is comprised of three generally concentric zones of (1) an outer zone of unaltered pyroxenite that constitutes 60% of the complex; (2) an inner zone of carbonated mica-rich pyroxenite altered to amphibolite that contains numerous steeply dipping carbonatite veins, up to 60 cm thick, and (3) a central zone of carbonatite, weathered to silicified ironstone breccia at the surface (Andrew 1990). Weathering processes including leaching, dissolution, and silicification of the carbonatite have led to residual enrichment in the oxide zone by up to ten times the original concentration of all the resistate minerals such as monazite, apatite, zircon, pyrochlore and magnetite (Andrew, 1990), concentrating LREE, niobium, and phosphorus, which forms the mineral deposit (Hassan, 2000; Sanders, 1999; Andrew, 1990). Secondary monazite accounts for most of the enrichment in LREE (Andrew, 1990). Drilling indicates that the mineralisation is up to 50m thick and generally forms sub-horizontal zones in the weathered carbonatite complex. A northwest-southeast trend to higher grade mineralisation is apparent.
Drill hole Information	<ul style="list-style-type: none"> <i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <ul style="list-style-type: none"> <i>easting and northing of the drill hole collar</i> <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> <i>dip and azimuth of the hole</i> <i>down hole length and interception depth</i> <i>hole length.</i> <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly</i> 	<ul style="list-style-type: none"> Exploration results are not being reported

Criteria	JORC Code explanation	Commentary
	<i>explain why this is the case.</i>	
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</i> <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> Exploration results are not being reported
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i> 	<ul style="list-style-type: none"> Exploration results are not being reported Drilling has generally been vertical or at an angle of around 60° and appears to cut across the sub-horizontal boundaries of mineralisation.
<i>Diagrams</i>	<ul style="list-style-type: none"> <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<ul style="list-style-type: none"> Exploration results are not being reported
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i> 	<ul style="list-style-type: none"> Exploration results are not being reported
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> Exploration results are not being reported
<i>Further work</i>	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> Exploration results are not being reported

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Database integrity</i>	<ul style="list-style-type: none"> <i>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</i> <i>Data validation procedures used.</i> 	<ul style="list-style-type: none"> Data was provided to H&SC as an Access database by KRE. H&SC is not aware of the measures taken by Navigator or KRE to ensure that data has not been corrupted. Limited validation was conducted by H&SC to ensure that the drill hole database is internally consistent. Validation included checking that no assays, density measurements or geological logs occur beyond the end of hole and that all drilled intervals have been geologically logged. The minimum and maximum values of assays and density measurements were checked to ensure values are within expected ranges. Assessment of the data confirms that it is suitable for resource estimation.
<i>Site visits</i>	<ul style="list-style-type: none"> <i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i> <i>If no site visits have been undertaken indicate why this is the case.</i> 	<ul style="list-style-type: none"> The Competent Person did not visit the deposit due to the preliminary nature of the project. SRK Consulting undertook a site visit on 11 January 2011 (SRK, 2011).
<i>Geological interpretation</i>	<ul style="list-style-type: none"> <i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i> <i>Nature of the data used and of any assumptions made.</i> <i>The effect, if any, of alternative interpretations on Mineral Resource estimation.</i> <i>The use of geology in guiding and controlling Mineral Resource estimation.</i> <i>The factors affecting continuity both of grade and geology.</i> 	<ul style="list-style-type: none"> Outcrop within the project area is limited to a few shallow mounds of silicified, ferruginous collapse breccia overlying the core of the Cummins Range Carbonatite Drill core indicate that the transition from weathered to fresh rock is sharp. This boundary was modelled using drill core logs and forms the base of the estimated and reported resources. This is consistent with the geological model of lateritic enrichment of TREOYs. Alternative interpretations of this surface are possible but are unlikely to significantly change the resource estimate. Surfaces representing the base of complete oxidation and the base of alluvial material were also created from downhole logs. These boundaries were only used for reporting the estimates and did not play a role in the estimation. A 3D solid wireframe encompassing zones over 0.3% TREOY was created based on assay data. These zones mostly form coherent sub-horizontal layered and bifurcating domains. Alternative interpretations of this volume are possible but are unlikely to significantly change the resource estimate due to the relatively large difference between the cut-off grade at which the resources are reported and the TREOY grade used to delineate the mineralised zones.

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> It is assumed that the drill hole database, including collar locations, downhole surveys, geological logs and assay data is correct. The continuity is controlled by both weathering history and the host carbonatite. The interpreted mineralisation shapes that form the basis of the resource volume are considered to be over-dominated resulting in some unrealistically narrow and unlikely continuous zones. These are likely to explain the small increase in tonnage arising from the 2012 estimates compared to earlier estimates by P L Hellman. This is, however, unlikely to be material.
Dimensions	<ul style="list-style-type: none"> <i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i> 	<ul style="list-style-type: none"> The majority of estimated resources at a cut-off of 2.5% TREOY form a reasonably coherent zone with a strike length of around 480m in a NE direction that is up to 200 m wide. Two, much smaller, additional volumes of resources are located around 180m to the NW. The upper limit of the mineralisation occurs at surface and the reported resources reach a maximum depth of 76m below surface.
Estimation and modelling techniques	<ul style="list-style-type: none"> <i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i> <i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i> <i>The assumptions made regarding recovery of by-products.</i> <i>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).</i> <i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i> <i>Any assumptions behind modelling of selective mining units.</i> <i>Any assumptions about correlation between variables.</i> <i>Description of how the geological interpretation was used to control the resource estimates.</i> <i>Discussion of basis for using or not using grade cutting or capping.</i> <i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if</i> 	<ul style="list-style-type: none"> The TREO+Y2O3, TLREO, THREO, U3O8, ThO2 and P2O5 concentrations were estimated using Ordinary Kriging using the geostatistical package GS3. Post-processing, model validation and resource reporting was carried out using the Mining Software package Micromine. H&SC considers Ordinary Kriging to be an appropriate estimation technique for this type of mineralisation. The mineralised domains, defined by the 3D solid wireframe encompassing zones over approximately 0.3% TREOY, were used to restrict the estimation. Only blocks inside the mineralised wireframes were estimated using only samples from within the mineralised wireframes. A surface representing the top of fresh rock of partial weathering was used to restrict the base of the estimation as weathering is interpreted to have enriched the TREOY concentrations. The relatively low CV and absence of extreme values precluded the need for top-cutting of any of the estimated concentrations. Variography was performed on all TREO+Y2O3, TLREO, THREO, U3O8, ThO2 and P2O5 composite data. Drill holes are on a broadly regular grid with a nominal spacing of 50m E-W and 40m N-S. Block dimensions are 10x12.5x2.5m (E, N, RL respectively). The plan dimensions were chosen as they are nominally a quarter of the drill hole spacing. The vertical dimension was shortened to reflect downhole data spacing and flat-lying nature of the mineralisation. Discretisation was set to 5x5x2 (E, N, RL respectively).

Criteria	JORC Code explanation	Commentary
	<i>available.</i>	<ul style="list-style-type: none"> Three search passes were employed with progressively larger radii or decreasing search criteria. The first pass used radii of 45x55x8m whereas the second and third used 90x110x16m (azimuths 024, 254, and vertical respectively). All three passes used an eight octant search and a maximum of 32 composites. Passes one and two required a minimum of 16 composites with data required from at least four of the eight octants. Pass three required a minimum of eight composites from at least two of the eight search octants. The maximum extrapolation of estimates is 110m. No check estimates have been conducted though a previous Inferred Estimate by Dr Phillip Hellman in September, 2009 (Hellman, 2009) was reported to be 4.17Mt at 1.72% TREOY at a cut-off of 1% TREOY. This agrees well with the current estimates of 4.90Mt at 1.74% TREOY at the same lower cut-off. The methodology used in the two estimates is similar and differences are due to additional KRE drilling and slightly modified interpretation of the mineralised wireframes. No production has taken place so no reconciliation data is available. No assumptions were made regarding the recovery of by-products. Estimated uranium and phosphate concentrations are elevated and may have the potential to be recovered as by-products of REO processing. The concentration of thorium was estimated as this can be considered to be a deleterious element in rare earth deposits. The estimated concentrations are low at grades above cut-offs of interest. TREOY, ThO₂, U₃O₈ and P₂O₅ were estimated independently. The final H&SC block model was reviewed visually by H&SC and it was concluded that the block model fairly represents the grades observed in the drill holes. H&SC also validated the block model statistically using a variety of plots and summary statistics.
Moisture	<ul style="list-style-type: none"> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	<ul style="list-style-type: none"> Tonnages are estimated on a dry weight basis; moisture has not been determined.
Cut-off parameters	<ul style="list-style-type: none"> The basis of the adopted cut-off grade(s) or quality parameters applied. 	<ul style="list-style-type: none"> 2.5% TREOY cut-off grade used for reporting resources is the same as the comparable light rare monazite-hosted earth deposit at Mt Weld. A lower cut-off grade of 1.0% has been used previously (KRE, 2011) based on KRE's internal research. This cut-off grade is now considered too low given the 4% cut-offs used for Ore Reserve reporting by Lynas and the 5% used by Molycorp for the Mountain Pass operation.

Criteria	JORC Code explanation	Commentary
<i>Mining factors or assumptions</i>	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. 	<ul style="list-style-type: none"> The flat-lying, shallow nature of the mineralisation makes it amenable to open-pitting. The model parent block size is 10x12.5x2m (E x N x RL). The model has been sub-blocked along the edges of the mineralised wireframes. Any internal dilution has been factored in with the modelling and as such is appropriate to the block size. The block size is larger than that achievable in a selective mining operation though it is not considered that this will significantly affect grades achieved in a mining operation. Additional work is needed to test the possibility of generating additional revenue from producing uranium and phosphorous as by-products of TREOY processing.
<i>Metallurgical factors or assumptions</i>	<ul style="list-style-type: none"> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions made regarding metallurgical treatment processes and parameters when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. 	<ul style="list-style-type: none"> Monazite and apatite are the main rare earth minerals as determined by CSIRO in 10 samples from the higher grade zone (Navigator, 2010) A high grade metallurgical composite with 3.43% REO was collected from core drilled in 2011 (KRE, 2012) A 600 kg portion was subjected to concentration and mineralogical studies at a Chinese research institute (KRE, 2012) with a second 50kg sample sent for testing to the Ian Wark Research Institute in Adelaide (KRE, 2012) Preliminary results, not optimised, based on flotation and Wet High Intensity Magnetic Separation ("WHIMS") achieved a 4.8 times upgrade from 3.55% TREO to a concentrate with 17% TREO, representing a recovery of 50% of the feed TREO. The sample, however, represents a resource grade above a 2.5% TREO cut-off which is not representative of the resource grade above a 1.0% cut-off grade quoted by KRE. The head grade used for metallurgical testing represents a resource grade above an approximate 2.5% TREO grade. Approximately 14% of the total resource based on a cut-off grade of 1.0% is above a 2.5% TREO cut-off. No other metallurgical testing results have been supplied to H&SC and it is not known whether any were reported after April 2012.
<i>Environmental factors or assumptions</i>	<ul style="list-style-type: none"> Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, 	<ul style="list-style-type: none"> It is not known whether any special treatment will be required for the storage of waste and process residue material. Thorium concentrations are low and Th/%TREOY ratios range from 14 to 24 above cut-off grades from 1.0 to 5.0%. Additional work is required to investigate the possible recovery of uranium as a by-product or processing TREOY ore. Uranium concentrations in the

Criteria	JORC Code explanation	Commentary
	<p><i>may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i></p>	<p>deposit may produce environmental hazards and storage problems if not adequately tested and understood.</p> <ul style="list-style-type: none"> The environmental issues associated with this resource are basically unknown.
Bulk density	<ul style="list-style-type: none"> <i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i> <i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vughs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.</i> <i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i> 	<ul style="list-style-type: none"> The density data provided to H&SC consisted of ten downhole gamma geophysical logs. The drill hole database shows that the downhole probe was operated by Surtron, a specialist wireline service provider. H&SC are not aware of the details regarding how this test work was operated or which type of downhole probe was used. The gamma readings appear to have been taken every ten centimetres. H&SC consider that the range of density values provided is a reasonable representation of the in-situ dry bulk density. The ten drill holes from which the density data are sourced are all located in the north-eastern quadrant of the drill data. H&SC produced average density values for the alluvial (1.52t/m³), weathered (2.15t/m³) and transitional (2.32t/m³) zones using data located within the appropriate domain. These average densities were assigned to blocks in the corresponding domain. More density test work is required in order to raise the confidence of the resource estimate.
Classification	<ul style="list-style-type: none"> <i>The basis for the classification of the Mineral Resources into varying confidence categories.</i> <i>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i> <i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i> 	<ul style="list-style-type: none"> The entire Mineral Resource is classified as Inferred. This classification takes into account all relevant factors including relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data The classification appropriately reflects the Competent Person's view of the deposit. Cummins Range ranks 20th out 58 rare earth deposits in a H&SC database consisting of worldwide rare earth deposits in terms of grade based on a 1% cut-off and 55th on the basis of contained metal using a more realistic cut-off of 2.5%.
Audits or reviews	<ul style="list-style-type: none"> <i>The results of any audits or reviews of Mineral Resource estimates.</i> 	<ul style="list-style-type: none"> The Mineral Resources of the Cummins Range deposit were estimated in 2009 by P L Hellman (Hellman, 2009). SRK Consulting conducted an Independent Technical Assessment Report for KRE in March 2011. SRK

Criteria	JORC Code explanation	Commentary
		(2011) states that “the Mineral Resource estimate is suitable for the nature and style of the mineralisation and the available data”. These resources are consistent with the updated 2012 Mineral Resource estimates later reported by KRE (2012).
Discussion of relative accuracy/ confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<ul style="list-style-type: none"> The relative accuracy and confidence level in the Inferred Mineral Resource estimates presented here are considered to be in line with the generally accepted accuracy and confidence of Inferred Mineral Resources of similar types of deposits and data quality. This has been determined on a qualitative, rather than quantitative, basis, and is based on the Competent Person’s experience with similar data and mineralisation. Previous work by H&SC was confined to resource estimation with KRE taking responsibility for drilling, sampling, data quality, QAQC, geological/structural interpretation and choice of cut-off grade. The geological nature of the deposit, composite/block grade comparison and the low coefficients of variation lend themselves to reasonable level of confidence in the resource estimates. The amount, clustering and reliability of the density test work requires attention. Certified reference materials (“CRM’s”) have been submitted for the KRE phase of drilling. The results demonstrate acceptable accuracy. No external check assays appear to have been completed for any of the phases of drilling. Twinning of RC and air-core holes by approximately 3-5 diamond holes is required to demonstrate confidence in the RC drilling. The Mineral Resource estimates are considered to be accurate globally, but there is some uncertainty in the local estimates due to the current drill-hole spacing and a lack of geological definition. The estimates are local, in the sense that they are localised to model blocks of a size considered appropriate for local grade estimation. No mining of the deposit has taken place so no production data is available for comparison.

References

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- Hassan, LY, 2000: Mineral Occurrences and exploration potential of the east Kimberley: Western Australia Geological Survey, Report 74, 83p.
- Hellman, PL, 2009: Cummins Range Resource Estimation, Hellman & Schofield Pty Ltd
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- Weir, DJ, 1989: Review of the Cummins Range Carbonatite, ML80/266, Mt Bannerman, SE52-13, CRA Exploration Pty. Limited, Unpublished. WAMEX A#29963.

Consent

The information in this report that relates to Exploration Targets, Exploration Results or Mineral Resources is based on information compiled by Dr Phillip L Hellman, a Competent Person who is a Fellow of the Australian Institute of Geoscientists. Dr Hellman is a consultant with H&S Consultants Pty Ltd and he has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Dr P L Hellman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

26 November 2015

Use of Funds

If the full amount of \$2,000,250 is raised from the Capital Raising (assuming the Second Placement is fully subscribed), the Company intends to apply the funds raised as follows:

Table 3 – Proposed use of funds

Proposed use of funds	Year 1	Year 2	Total
Review and development of existing business	\$200,000	\$250,000	\$450,000
Review of new projects	\$150,000	\$175,000	\$325,000
Total general working capital budget	\$350,000	\$425,000	\$775,000
Payment to the Creditors Trust ^(a)	\$615,000	Nil	\$615,000
Working capital ^(b)	\$335,000	\$275,250	\$610,250
Total	\$1,300,000	\$700,250	\$2,000,250

Notes:

- (a) The Company will use proceeds from the capital raising to pay the Cash Consideration of \$615,000 to satisfy obligations under the DOCA
- (b) This includes expenses associated with the recapitalisation proposal to be repaid to the Syndicate

5. Reinstatement to Official quotation of the ASX

As already mentioned, subject to all the Resolutions (apart from Resolutions 13-15 (inclusive)) being passed at this Extraordinary General Meeting, the Company intends to seek reinstatement to Official Quotation on ASX. The Company will therefore need to satisfy ASX's requirements prior to 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.

Under ASX Listing Rule 17.7, the ASX has the discretion to reinstate the Securities of the Company to trading. ASX can exercise its discretion if it is satisfied that the Company is capable of meeting the ongoing requirements for listing, including that:

- (a) there is sufficient level of operations to warrant the continued quotation of its securities;
- (b) there is sufficient level of shareholder spread;
- (c) its financial condition is adequate to warrant the continued quotation of its securities;
- (d) the New Board (in the event that the proposed Directors of the New Board are elected under this Notice of Meeting) completes all outstanding reports required by the ASX Listing Rules (including without limitation, its audited financial report for the last year end); and
- (e) it pays all outstanding fees to the ASX.

Full details of the business to be considered at the Extraordinary General Meeting are set out below.

RESOLUTION 1– ISSUE OF SECURITIES PURSUANT TO THE FIRST PLACEMENT

General

Resolution 1 seeks Shareholder approval for the issue and allotment of the following:

- (a) up to 200,000,000 fully paid ordinary shares to Auxano (or its nominees) as part of the Proposal (**First Placement A Shares**) at an issue price of \$0.0025 per First Placement A Share to raise up to \$500,000; and
- (b) up to 25,000,000 fully paid ordinary shares to Otsana (or its nominees) as part of the Proposal (**First Placement B Shares**) at an issue price of \$0.00001 per First Placement B Share to raise up to \$250.
- (c) Up to 150,000,000 Options to each subscribe for one (1) Share in the Company to Auxano (or its nominees) and other investors that are invited by the Company as part of the Proposal (**First Placement Options**) for nil consideration, with each First Placement Option exercisable at \$0.01 expiring 3 years after the date of issue.
- (d) up to 25,000,000 Options to each subscribe for one (1) Share in the Company to Otsana (or its nominees) and other investors that are invited by the Company as part of the Proposal (**First Placement Options**) for nil consideration, with each First Placement Option exercisable at \$0.01 expiring 3 years after the date of issue.

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

The effect of Resolution 1 will be to allow the Company to issue the Securities pursuant to the First Placement during the period of 3 months after the Extraordinary General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

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 the First Placement:

- (a) Maximum of 225,000,000 First Placement Shares and 175,000,000 First Placement Options are to be issued.
- (b) Apart from those First Placement Securities issued to Related Parties (or their nominees), the First Placement Securities will be issued no later than 3 months after the date of the Extraordinary General 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 allotment will occur on the same date.
- (c) Where the First Placement Securities are being issued to related parties or their nominees, these securities will be issued within one month of 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 allotment will occur on the same date.

- (d) The issue price of the First Placement A Shares will be \$0.0025 per First Placement A Share.
- (e) The issue price of the First Placement B Shares will be \$0.00001 per First Placement B Share.
- (f) The First Placement Options will be issued for nil consideration.
- (g) The allottees of First Placement Securities are members of the Syndicate (that includes Related Parties) (or their nominees).
- (h) The First Placement 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 the terms and conditions of the First Placement Options are set out in Annexure C.
- (i) The Company intends to use the funds raised from the First Placement in accordance with the plan outlined in Table 3. Should the First Placement Options be exercised the Company intends to use the funds raised as general working capital.

RESOLUTION 2 – ISSUE OF SECOND PLACEMENT SHARES

General

Resolution 2 seeks Shareholder approval for the issue and allotment of up to 150,000,000 fully paid ordinary shares to general investors (that may include members of the Syndicate (or its nominees)) (**Second Placement Shares**) at an issue price of \$0.01 per Share to raise up to \$1,500,000.

Other than the Related Parties, whose participation in the Second Share Placement (either directly or indirectly through their nominees) must be approved pursuant to Resolutions 4 to 8 inclusive, none of the remaining subscribers pursuant to this issue will be related parties of the Company.

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

The effect of Resolution 2 will be to allow the Company to issue the Shares pursuant to the Second Placement during the period of 3 months after the Extraordinary General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

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 the Second Placement:

- (a) Maximum of 150,000,000 Second Placement Shares are to be issued.
- (b) Apart from those Second Placement Shares issued to Related Parties (or their nominees), the Second Placement Shares will be issued no later than 3 months after the date of the Extraordinary General 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 allotment will occur on the same date.
- (c) Where the First Placement Securities are being issued to related parties or their nominees, these securities will be issued within one month of 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 allotment will occur on the same date.
- (d) The issue price will be \$0.01 per Second Placement Share.
- (e) The allottees are investors, some of which are members of the Syndicate (that includes Related Parties) (or their nominees) of the Company and invited to invest by the Company.
- (f) The Second Placement 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.

The Company intends to use the funds raised from the Second Share Placement in accordance with the plan as outlined in Table 3.

RESOLUTION 3 – APPROVAL OF FUTURE ISSUE OF 50,000,000 MANAGEMENT OPTIONS

Under this Resolution, the Company seeks approval for the issue of 50,000,000 Management Options to the proposed Directors of the Company, key management and advisers of the Company for nil consideration at an exercise price of \$0.02 per Management Option, expiring 4 years from the date of issue.

The number of Management Options that will be issued to each Management Optionholder (or their nominee) is depicted in the table below.

Table 4 – Complete List of Management Options Recipients

Intended Recipients	Proposed Role	Related Party?	Management Options
Glen Dobbie	Managing Director	Yes	13,942,856
Malcolm Keefe	Non-Executive Director	Yes	5,714,286
Greg Ruddock	Non-Executive Chairman	Yes	3,333,333
Joshua McKean	Non-Executive Director	Yes	3,333,333
Remaining members of the Syndicate	N/A	No	23,676,192
Total			50,000,000

As outlined in Table 4, some of the intended recipients of the Management Options are Related Parties of the Company. For these Related Parties, further related party specific Shareholder approval are being sought for Messrs Dobbie, Keefe, Ruddock and McKean under Resolutions 5 – 8 inclusive respectively in this Notice of Meeting. Summaries of the backgrounds for these Related Parties are outlined in Resolutions 9 – 12 inclusive in this Notice of Meeting. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

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

Information Required by ASX Listing Rule 7.3

The following information in relation to the Management Options is provided to Shareholders for the purposes of ASX Listing Rule 7.3:

- (a) In total, the maximum number of Management Options to be issued under this Resolution is 50,000,000, exercisable at a price of \$0.02 expiring 4 years from the date of issue.
- (b) Management Options to be issued to non-related parties will be issued within three months from the date of the Meeting. Management Options to be issued to the Related Parties will be issued within one month from the date of the Meeting.

- (c) The allottees are proposed Directors of the Company (or their nominees). Further related party specific Shareholder approval are being sought for Messrs Dobbie, Keefe, Ruddock and McKean under Resolutions 5 – 8 inclusive respectively in this Notice of Meeting.
- (d) No consideration is payable for the Management Options being issued under this Resolution.
- (e) The full terms of the Management Options are set out in Annexure D.

RESOLUTION 4 – ACQUISITION OF A RELEVANT INTEREST

Syndicate

As set out in the Letter to Shareholders, the Creditors of the Company together with the Deed Administrator have agreed to the Proposal to progress the restructure and recapitalisation of the Company presented by the Syndicate.

The Syndicate, consists of the proposed Directors and others who are unrelated parties of the Company. Further details of members of the Syndicate who will form part of the New Board are set out in Table 4.

The relevant interest in the Company to be acquired by the Syndicate (or their nominees) in the First Placement Securities, Second Placement Shares and Management Options are the subject of this Resolution.

The individual interests to be acquired by each of the proposed Directors, being the Related Parties are the subject of Resolutions 5 – 8 inclusive in this Notice of Meeting.

Information Required pursuant to Chapter 6 of the Corporations Act

Section 606(1) of the Corporations Act states that a person must not acquire a relevant interest in the issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the Company increases:

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

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a Company involves determining the voting shares in the Company in which the person and the person's associates have a relevant interest.

A person (**Second Person**) will be an 'associate' of the other person (**First Person**) if one or more of the following paragraph applies:

- (a) the First Person is a body corporate and the Second Person is:
 - (i) a body corporate the First Person controls;
 - (ii) a body corporate that controls the First Person; or
 - (iii) a body corporate that is controlled by an entity that controls the First Person;
- (b) the Second Person has entered or proposes to enter into a relevant agreement with the First Person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs;
- (c) the Second Person is a person with whom the First Person is acting or proposed to act, in concert in relation to the Company's affairs.

A person has a relevant interest in securities if they:

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

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares with Shareholder approval.

The following information is required to be provided to shareholders pursuant to the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining Shareholder approval under the exception for the passing of this Resolution. Shareholders are also referred to Independent Expert's Report (**IER**) contained in Annexure A of this Notice of Meeting.

Why is approval under the exception in item 7 of section 611 of the Corporations Act needed?

Shareholder approval under item 7 of section 611 of the Corporations Act is required because the Syndicate (or their nominees) are arguably acting in concert in relation to the First Placement and the Second Placement.

Following completion of the First Placement and the Second Placement, the Syndicate (or their nominees) will no longer be acting in concert. However, for present purposes, given that the nature of the Proposal, it is arguable that the interests of the Syndicate should be aggregated, thus triggering Chapter 6 of the Corporations Act. Accordingly, the relevant interest of the Syndicate in the Company after implementation of all Resolutions (when aggregated) will exceed 20% of the issued capital of the Company.

Relevant interests, voting power and proposed capital structure of the Company

Annexure B outlines the dilutive effect and the maximum Securities that the Syndicate (or their nominees) will be entitled to, and the following Table 5 outlines the voting power of members of the Syndicate (or their nominees) after implementation of all Resolutions under this Notice of Meeting.

Table 5 – Proposed Voting Power of the Syndicate

Syndicate	Existing Holding	Max. First Placement Shares	Max. First Placement Options	Max. Second Placement Shares	Management Options	Max. Total Holding (Fully diluted)	Max. Voting Power ^(a)
Glen Dobbie	Nil	45,000,000	36,600,000	11,250,000	13,942,856	106,792,856	17.27%
Malcolm Keefe	Nil	20,000,000	15,000,000	5,000,000	5,714,286	45,714,286	7.39%
Greg Ruddock	Nil	20,000,000	15,000,000	5,000,000	3,333,333	43,333,333	7.01%
Joshua McKean	Nil	20,000,000	15,000,000	5,000,000	3,333,333	43,333,333	7.01%
Remaining members of the Syndicate (unrelated parties)	Nil	120,000,000	93,400,000	23,750,000	23,676,192	260,826,192	42.19%
TOTAL		225,000,000	175,000,000	50,000,000	50,000,000	500,000,000	80.88%

Notes:

^(a) The maximum voting power is calculated by dividing the total maximum shareholdings by the total Shares issued (fully diluted), consisting of 18,223,695 (Existing Shares) + 225,000,000 (First Placement Shares) + 175,000,000 (First Placement Options) + 150,000,000 (Second Placement Shares – assumes that the Second Placement is fully subscribed) + 50,000,000 (Management Options) = 618,223,695.

The maximum relevant interest the Syndicate will hold after implementation of all Resolutions except the exercise of the First Placement Options and Management Options which may or may not be exercised in the future, is 69.94%.

The maximum voting power of the Syndicate will hold after implementation of all Resolutions (assuming that all First Placement Options and Management Options are vested and exercised) on a fully diluted basis is 80.88%.

The maximum voting power that the proposed Directors will hold after implementation of all Resolutions (assuming that all First Placement Options and Management Options are vested and exercised), on a fully diluted basis is 38.69%. This represents an increase from 0% to 38.69%.

Summary of the background of the proposed Directors are set out in the Explanatory Statement of Resolutions 9 – 12 inclusive under this Notice of Meeting.

Intentions of the Syndicate (or their nominees)

The Company understands that, in the event that all the Resolutions under this Notice of Meeting are passed by Shareholders, it is the Syndicate's intention to:

- (a) Continue exploration of the existing Cummins Range Project with a view to achieving a conversion from Inferred to an Indicated classification.
- (b) Not either transfer any property between the Company and any person associated with it, or change the Company's existing policies in relation to financial matters.

Whilst the Company's current operations are developed, it will continue to seek greater scale as a Company through business acquisition opportunities both within and outside of the mining sector.

The Syndicate's review and development plans are the best estimates for the Company at this time, and may change in line with emerging results, circumstances and opportunities.

Advantages, disadvantages and risks of the Proposal

The New Board consider that the Proposal has the following advantages and disadvantages:

- *Advantage – improved financial condition:* The Proposal will inject the Company with an approximate net cash amount of \$1,385,250 and the Company will have minimal or no liabilities. Currently, the Company has negative net assets.
- *Advantage – greater return to Creditors:* The DOCA provides for a better, more certain and timely outcome for all creditors than would result from the liquidation of the Company (being the most likely other option if the Proposal is not approved).
- *Disadvantage – concentration of ownership within members of the Syndicate:* The Securities to be placed to the Syndicate pursuant to the Proposal will constitute up to approximately 80.88% of the Company's fully diluted capital (as set out in Table 5). There will therefore be a concentration of ownership of the Company among the members of the Syndicate (and their nominees). This may allow members of the Syndicate to exert significant influence over matters relating to the Company, including the election of future Directors or the approval of future transactions involving the Company. Also, given the size of the holdings, there may be an impact on the liquidity of the Company's securities. However, it should be noted that (as noted previously) following completion of the First Placement and the Second Placement, the Syndicate (or their nominees) will no longer be acting in concert. Therefore, this risk should not be taken as a representation that the members of the Syndicate (and their nominees) will act in concert with one another; would be likely to exercise their voting rights as Shareholders in the same manner; or that the Syndicate members (and their nominees) as a whole are associated parties, post-completion of the Proposal.
- *Disadvantage – control by incoming Board:* As outlined in Table 5, the proposed maximum voting power of the proposed Directors of the Company is 36.38%. Therefore, there will be a concentration of ownership of the Company with the Board. This may allow the Board to exert significant influence over matters relating to the Company.
- *Risk – inability to meet objectives and future capital requirements:* Despite the incoming New Board's intentions, the Company may be unable to meet the objectives set out in this Notice of Meeting. The Company's ongoing activities will require substantial expenditure. There can be no guarantee that the funds raised under the Proposal will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Proposal, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Security holders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

Independent Expert's Report

The Corporations Act provides that an IER on the Proposal (which includes the acquisition of the relevant interest in the Company by the Syndicate (or their nominees) must be provided to shareholders. The IER provides an opinion as to whether the acquisition of the voting power and interest referred to in this Explanatory Statement for Resolution 4 by the Syndicate (or their nominees) is fair and reasonable to the non-associated Shareholders of the Company.

Accordingly, the Syndicate has appointed Stantons International Securities (**Independent Expert**), a professional services firm based in Perth as an independent expert to produce the IER. The IER is contained in Annexure A of this Notice of Meeting.

The Independent Expert has concluded that the acquisition of the voting and interest by the Syndicate (or their nominees) may on balance collectively be considered to be fair and reasonable to the non-associated Shareholders of the Company, as of the date of the IER.

The advantages and disadvantages of the acquisition of the voting power and interest by Syndicate are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the acquisition of the voting power and interest proceeds as opposed to if it did not proceed.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 4.

New Board's Recommendation

The New Board recommends that Shareholders vote in favour of this Resolution.

Professional Advice

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

RESOLUTIONS 5, 6, 7 and 8 – RELATED PARTY APPROVALS

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.

ASX Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without Shareholder approval.

A "related party" for the purposes of the ASX Listing Rules is widely defined and includes a proposed director of a public company or a spouse of a proposed director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

Messrs Greg Ruddock (**Mr Ruddock**), Joshua McKean (**Mr McKean**), Glen Dobbie (**Mr Dobbie**) and Malcolm Keefe (**Mr Keefe**) are all proposed Directors of the Company.

Therefore, for the purposes of Chapter 2E, Messrs Ruddock, McKean, Dobbie and Keefe are related parties and the issue of Securities constitute the giving of a financial benefit (collectively known as the **Related Parties**). Accordingly, the grant of Securities to the Related Parties requires the Company to obtain specific Shareholder approval for each Director.

The New Board considers that the issue of Second Placement Shares to the Related Parties could fall within the "arms-length terms" exception set out in section 210 of the Corporations Act. The New Board have based their belief on the fact that the Second Placement will be a public offer available to general investors, some of whom are not related parties to the Company. However, notwithstanding this, the New Board have considered it prudent to seek related party approval for the issue of all Securities to the Related Parties, including the Second Placement Shares.

Therefore, Resolutions 5, 6, 7 and 8 seek Shareholder approval to issue Securities to the Related Parties as follows:

Table 6 – Issue of Securities to Related Parties

Resolution under this Notice of Meeting	Proposed Director	Max. First Placement Shares	Max. First Placement Options	Max. Second Placement Shares	Management Options	Max. Total Holding (Fully diluted)
5	Mr Ruddock	20,000,000	15,000,000	5,000,000	3,333,333	43,333,333
6	Mr McKean	20,000,000	15,000,000	5,000,000	3,333,333	43,333,333
7	Mr Dobbie	45,000,000	36,600,000	11,250,000	13,942,856	106,792,856
8	Mr Keefe	20,000,000	15,000,000	5,000,000	5,714,286	45,714,286
Total		105,000,000	81,600,000	26,250,000	26,323,808	239,173,808

The specific number of Securities proposed to be issued to each of the Related Parties was agreed based on commercial negotiations between the Syndicate and took into account their capacity and appetite to contribute to the fundraising and recapitalisation of the Company.

Assuming that all Resolutions under this Notice of Meeting are approved by Shareholders, Table 6 shows that the maximum total Shares to be issued to Related Parties (on a fully diluted basis) is 239,173,808.

Information Required by ASX Listing Rule 10.13

The following information in relation to the securities is provided to shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The maximum number of First Placement Shares, First Placement Options, Second Placement Shares and Management Options to be issued to the Related Parties under the First Placement is outlined in Table 6.
- (b) The issue price of each First Placement A Share being issued to the Related Parties is \$0.0025. The First Placement 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. Each First Placement Option being issued to the Related Parties is being issued for nil consideration. The full terms of the First Placement Options are set out in Annexure C.
- (c) The issue price of each Second Placement Share being issued to the Related Parties is \$0.01. The Second Placement 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.
- (d) No consideration is payable for the Management Options being issued to the Related Parties. The full terms of the Management Options are set out in Annexures D.
- (e) The issue of the Company's Shares and Options (including Management Options) to the Related Parties will occur no later than one month from the date of this Extraordinary General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (f) The Company intends to use the funds raised from the Related Parties in accordance with Table 3.

Information Required by Chapter 2E of the Corporations Act

The related party to whom the proposed Resolutions would permit the financial benefit to be given

- (a) As outlined earlier in this Explanatory Statement, each of the Related Parties are a related party of the Company to whom Resolutions 5, 6, 7 and 8 would permit the financial benefit to be given.

The nature of the financial benefit and other remuneration of the relevant directors

- (b) The nature of the financial benefit to be given to the Related Parties are the issue of Securities as outlined in Table 6.
- (c) As of the date of this Notice of Meeting, none of the Related Parties have any existing and current holdings in the Securities of the Company.
- (d) As of the date of this Notice of Meeting, the Related Parties have not received any remuneration from the Company for both the current and previous financial years.

However, subject to successful reinstatement of the Company to Official Quotation on the ASX, the Related Parties will be paid for their services from the time of appointment as follows:

Table 7 – Proposed Remuneration for Directors

Related Parties	Proposed Role	Proposed Remuneration ^(a)
Glen Dobbie	Managing Director	Up to \$100,000
Malcolm Keefe	Non-Executive Director	Up to \$100,000
Greg Ruddock	Non- Executive Chairman	Up to \$100,000
Joshua McKean	Non-Executive Director	Up to \$100,000

(a) Each of the proposed Directors have agreed to waive their remuneration until the first acquisition that is material to the Company and represents an acquisition of greater than 50% of the fully diluted market capitalisation of the Company at the time of the acquisition, is made by the Company (**First Acquisition**). This means that up until the First Acquisition is made, the no remuneration will be paid to the directors.

Following completion of the First Acquisition, the Board will approve and direct a payment to each Director to ensure that the Directors receive 100% of their base salary from the date of their appointment until the date of the First Acquisition. Following completion of the First Acquisition, 100% of the base salary will be payable monthly to the Directors.

- (e) The First Placement A Shares and Second Placement 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.
- (f) The full terms of the First Placement Options are set out in Annexure C.
- (g) The full terms of the Management Options are set out in Annexures D.
- (h) Table 6 sets out the possible Shareholdings of each of the Related Parties on a fully diluted basis. This assumes that all First Placement Options and Management Options Placement have been exercised and all the Management Options have been exercised in accordance with their terms.

New Board's recommendation and basis of financial benefit

- (i) The Management Options under Resolution 3 will be issued to each of Messrs Ruddock, McKean, Dobbie and Keefe to align each of their long term goals with that of Shareholders and to incentivise each of them to provide ongoing dedicated services to the Company. These Management Options are intended to operate so that the financial benefit would only be realised once the share price doubles when compared to the issue price under the Second Placement.
- (j) Under the Company's current circumstances, the New Board considers that the incentives noted above in paragraph (i) are a cost effective and efficient reward and incentive to be provided to the proposed Directors of the Company, as opposed to alternative forms of incentive, such as the payment of cash consideration.
- (k) The New Board recommends that Shareholders vote in favour of Resolutions 5, 6, 7 and 8 based upon the opinion expressed in the IER.
- (l) As consideration for the issue of Securities to the Related Parties under the First Placement and Second Placement, the Company will raise up to \$500,000 in funds. The breakdown of these funds and the financial benefit that will be given to Related Parties is depicted in the table below:

Table 8 – Funds Raised from Related Parties

Related Parties	Max. First Placement Shares	Max. Second Placement Shares	Funds Invested
Greg Ruddock	20,000,000	5,000,000	100,000
Joshua McKean	20,000,000	5,000,000	100,000
Glen Dobbie	45,000,000	11,250,000	225,000
Malcolm Keefe	20,000,000	5,000,000	100,000
Total	105,000,000	26,250,000	525,000

- (m) The Company intends to use the funds raised from the Related Parties in accordance with Table 3.

Capital Structure if Shareholder approval is obtained for all Resolutions

- (n) The proposed capital structure of the Company at the time of reinstatement is outlined in Table 1.
- (o) The dilutionary effect of the issue of Securities to each of the Related Parties are set out in Table 6 and Annexure B. On a fully diluted basis (assuming that the Second Placement is fully subscribed and all First Placement Options and Management Options proposed to be issued under this Notice of Meeting are exercised):
- (i) Mr Ruddock will hold a shareholding of 7.01%;
 - (ii) Mr McKean will hold a shareholding of 7.01%;
 - (iii) Mr Dobbie will hold a shareholding of 17.27%; and
 - (iv) Mr Keefe will hold a shareholding of 7.39%.

Existing and potential relevant interests

- (p) As of the date of this Notice of Meeting, each of the Related Parties currently do not, either directly or indirectly, hold any Shares or Options in the Company.
- (q) The potential relevant security interest in the Company to be held by each of Related Parties is outlined in Table 6.
- (r) The potential voting power to be held by each of the Related Parties is outlined in Table 6. The fully diluted percentages have been calculated on the assumption that certain Options in the Company are exercised, and therefore, should be treated with caution as:
- (i) there is no certainty that any of the First Placement Options or Management Options will be exercised;
 - (ii) the Options to be issued to the Related Parties will be part of a larger pool of Options that will exist if all the Resolutions under this Notice of Meeting are approved by Shareholders, which, if exercised, will affect the relevant interests of the proposed Directors by decreasing them;

Trading history

- (s) The Company's Shares were suspended from trading on the ASX on 20 February 2013, following a trading halt announced on 19 February 2013. Therefore, on 15 February 2013, which was its final day of trading prior to suspension, the Company's share price closed at \$0.001
- (t) The First Placement Options will not be quoted on ASX. The Company has valued the First Placement Options to be granted to the Related Parties using the Black and Scholes Option Pricing model. A summary of the valuation inputs are outlined in clause 8.9 of the IER. Based on the value ascribed in the IER, the First Placement Options to be granted to the Related Parties under Resolutions 5, 6, 7 and 8 have been valued as follows:

Table 9 – First Placement Options Valuation

Description	Expiry Date	Exercise Price	Volatility	Value for one First Placement Option before discounting	Discount rate	Value for one First Placement Option after discounting
First Placement Options	3 years from issue date	0.01	75%	\$0.0044	25%	0.0033

- (u) Based on Table 10, the value of the First Placement Options to be issued to each of the Related Parties are as follows:

Table 10 – First Placement Option Holdings Value

Proposed Director	Max. First Placement Options	Value of First Placement Options
Greg Ruddock	15,000,000	\$49,869
Joshua McKean	15,000,000	\$49,869
Glen Dobbie	36,600,000	\$121,680
Malcolm Keefe	15,000,000	\$49,869

Valuation of the Management Options

- (v) The Management Options will not be quoted on ASX. The Company has valued the Management Options to be granted to the Related Parties using the Black and Scholes Option Pricing model. The Management Options to be granted to the Related Parties under Resolutions 5, 6, 7 and 8 have been valued as follows:

Table 11 – Management Options Valuation

Description	Expiry Date	Exercise Price	Volatility	Value for one First Placement Option before discounting	Discount rate	Value for one First Placement Option after discounting
Options	4 years from issue date	0.02	75%	0.0125	25%	0.0094

Notes:

- (w) Based on Table 12, the value of the Management Options to be issued to each of the Related Parties are as follows:

Table 12 – Management Option Holdings Value

Proposed Director	Max. Options	Value of Options
Greg Ruddock	3,333,333	31,402
Joshua McKean	3,333,333	31,402
Glen Dobbie	13,942,856	131,348
Malcolm Keefe	5,714,286	53,831

RESOLUTIONS 9, 10, 11 and 12 – ELECTION OF DIRECTORS

Resolutions 9, 10, 11 and 12 seek Shareholder approval for the election of Messrs Greg Ruddock, Joshua McKean, Glen Dobbie and Malcolm Keefe as Directors of the Company pursuant to clause 7.2 of the Company's Constitution and section 201E of the Corporations Act.

Set out below is a summary of the background for each of the proposed Directors and their respective titles.

Mr Greg Ruddock, Non-Executive Chairman – Resolution 9

Greg is the Joint Chief Executive Officer of Ironbridge and co-leads Investment and Portfolio Management activities with Neil Broekhuizen. Greg has 13 years of private equity experience with GPEL and Ironbridge.

Prior to joining GPEL in 1999, Greg had twelve years operational experience at leading Australian industrial group Wesfarmers and with diversified listed company Avatar, where he was Managing Director of one of its major subsidiaries.

Within the GPEL portfolio Greg led the successful development of Electronic Banking Solutions/Cashcard ("EBS/Cashcard"). In 2003 Greg became one of the Founding Partners of Ironbridge and has led its successful financial and outsourced services investment programme across both Ironbridge Funds.

Greg has sat on the Ironbridge Investment Committee since inception and has represented the Ironbridge Funds on the Boards of Stardex, Super A-mart, EnviroWaste, Easternwell, FleetPartners, ISGM and AOS.

Greg qualified as an accountant and holds a Bachelor of Commerce degree from the University of Western Australia.

Mr Joshua McKean, Non-Executive Director – Resolution 10

Josh joined the private equity industry in the early 2000's at JPMorgan where helped establish their Small Caps M&A and Financial Sponsors practice in Sydney. Having advised on the merger of Gresham Private Equity's EBS with Cashcard, Josh joined Cashcard as Business Development Manager. From there Josh joined the leading global private equity manager in Sydney, CVC Capital Partners.

Whilst at Cashcard Josh led due diligence on a number of acquisitions, including the successful acquisition of Direct Cash, a Melbourne based ATM deployer and assisted Gresham Private Equity in preparing the business for exit via a dual-track process.

Josh joined CVC Capital Partners in 2003 and worked on a number of successful transactions including the A\$1.2 billion IPO of Pacific Brands, the sale of Tech Pacific to Ingram Micro for A\$700 million, and the acquisition and subsequent divestment of Affinity Health to Ramsay Healthcare for A\$1.4 billion.

Josh joined Ironbridge in October 2005 and has played a lead role in the Ironbridge Fund's investment in Super A-Mart, the turnaround of Barbeques Galore Australia which has tripled EBITDA as well as the subsequent merger of Super A-Mart and Barbeques Galore Australia to form BBQSAM.

Within the Ironbridge Fund II portfolio Josh has led the successful investments into Easternwell, a buy and build of a specialist mining services business that successfully exited to Transfield and its investment in Infrastructure Services Group (ISGM), a leading provider of advisory and outsourcing services in the Australian market that has quadrupled EBITDA in the last 4 years and ranked 9th in the 2014 BRW Fast 100.

Josh holds a Bachelor of Commerce degree with Honours (First Class) from the University of Melbourne.

Mr Glen Dobbie, Managing Director – Resolution 11

Glen is the Managing Partner of Auxano LLP, a group of proven investors and operators that invest in businesses and actively provide them with whatever they need to grow. Glen was formerly the Group Commercial Director at Arowana & Co, where he was primarily responsible for the operations of the ASX listed, Arowana International Limited. During his 8 years at Arowana & Co, the firm recorded returns of over 40% per annum and Arowana International Limited's share price rose to \$1.00 from a listing price of \$0.35.

Most recently, Glen was instrumental in creating the Intueri Education Group (including performing the role of interim CEO and non-executive director) which led to a successful \$220m IPO in 2014. This investment returned Arowana International Limited shareholders over \$100m profit and foundation shareholders over 7.5 times their initial investment.

Glen has particular experience in “hands on” operational management across a variety of industries including education, events and training, traffic management and control, electrical maintenance and thermal imaging businesses.

Glen has been involved in various capital raising activities and held directorships across a range of sectors for listed and unlisted companies as well as private equity funds.

Glen has earned a Graduate Diploma of Chartered Accounting from ICAA, a Bachelor of Commerce (Honours) from UNSW and is a certified Gazelles International business growth coach.

Mr Malcolm Keefe, Non-Executive Director – Resolution 12

Malcolm has over 30 years of general management experience in a variety of businesses including education, information technology, print, and office products.

Malcolm is a partner of Auxano LLP. Prior to this role, Malcolm served as the Non-Executive Independent Chairman and Director of Arowana International Limited from November 2011 to March 2015.

Malcolm has served as Executive Director and Chief Operating Officer at Corporate Express Australia Ltd (also known as Staples Australia Pty Limited) until February 2010 and during his tenure the Company was one of the best performing on the ASX with controlled and sustained growth.

Malcolm also served as Chief Executive Officer of Kalamazoo (Aust) Pty Limited. He held senior management positions with the Swire Group in Hong Kong and with Kalamazoo PLC in the United Kingdom.

Malcolm has a B.Sc. (Hons) from University of London.

Proposed Directors' interests

As at the date of this Notice of Meeting, none of the proposed Directors mentioned above have an interest (direct or indirect) in the current issued capital of the Company.

Company Secretary

Mr Andrew Whitten will assist the Board in their duties as the proposed Company Secretary of the Company.

New Board's Recommendation

The New Board considers that it is in the best interests of the Company that it adopts the New Constitution. Accordingly, the New Board recommends that Shareholders vote in favour of Resolutions 9 to 12.

RESOLUTION 13 – REPEAL AND ADOPTION OF A CONSTITUTION

The Company's current constitution was adopted by the Company on 22 November 2004.

The Company intends to change its constitution (**New Constitution**) so that it is more appropriate for an ASX listed company as the constitution has not been updated for more than 10 years to reflect changes in the Corporations Act and ASX Listing Rules.

A complete signed copy of the New Constitution will be tabled at the Extraordinary General Meeting.

This Resolution is a special resolution, and as such, it can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on this Resolution are voted in its favour.

New Board's Recommendation

The New Board considers that it is in the best interests of the Company that it adopts the New Constitution. Accordingly, the New Board recommends that Shareholders vote in favour of Resolution 13.

Professional Advice

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from a solicitor or other professional advisor.

RESOLUTIONS 14 and 15 – REMOVAL AND APPOINTMENT OF AUDITORS

Under section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution of a general meeting of which 2 months' notice of intention to move the resolution has been given.

It should be noted that under this section, if a company calls a meeting after the notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention is given.

Resolution 14 is an ordinary resolution seeking the removal of HLB Mann Judd as the auditor of the Company. An auditor may be removed in a general meeting provided that the notice of intention to remove the auditor has been received by the Company.

In accordance with section 329(2) of the Corporations Act, the Company has sent a copy of the notice to PKF Hacketts Audit and ASIC.

Under section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under section 329 of the Corporations Act.

Resolution 15 is a special resolution seeking the appointment of PKF Hacketts Audit as the new auditor of the Company. As required by the Corporations Act, a nomination for PKF Hacketts Audit to be appointed as the auditor of the Company has been received from a Shareholder of the Company. A copy of the nomination of PKF Hacketts Audit as auditor is set out at Annexure E.

PKF Hacketts Audit has given its written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act, subject to Shareholder approval of this Resolution.

If all Resolutions (other than Resolutions 13 and 14) under this Notice of Meeting are passed, the appointment of PKF Hacketts Audit as the Company's auditor will take effect immediately, at the close of this Extraordinary General Meeting.

Resolutions 14 and 15 are subject to the passing of all the other Resolutions (other than Resolutions 13 and 16) under this Notice of Meeting.

RESOLUTION 16 – INCREASE NON-EXECUTIVE DIRECTORS' FEE POOL

In accordance with Listing Rule 10.17 and clause 7.5 of the Company's current constitution, Shareholder approval is sought to increase the maximum aggregate amount available for non-executive directors' remuneration in any financial year (**NED Fee Pool**) by \$300,000, from \$200,000 to \$500,000. The current NED Fee Pool was fixed at an Annual General Meeting of the Company on 23 November 2006.

The Directors seek Shareholder approval to increase to NED Fee Pool as:

- it is important to ensure that the Company maintains the ability to pay competitive fees and attract and retain high calibre non-executive directors; and
- the size of the proposed increase would be consistent with other ASX listed entities of similar market capitalisation.

It is not intended that should this resolution be passed, the maximum aggregate of the NED Fee Pool would be utilised immediately. The proportion remaining unused will provide the Company with the ability to attract and retain high quality directors, to make any appropriate increases to the size of the Board and to increase fees in the future in line with market conditions.

It is proposed that the increase in the NED Fee Pool will take effect immediately after the Meeting.

As required by ASX Listing Rule 10.17, the Company confirms that no securities have been issued to non-executive directors in the preceding three years under Listing Rules 10.11 or 10.14.

Given the nature of this Resolution, the Board does not consider that it is appropriate to make a recommendation on how Shareholders should vote on this Resolution. As noted in the Proxy Form, the Chairman of the Meeting intends to cast all undirected proxies in favour of this Resolution.

ENQUIRIES

Shareholders are asked to contact Philip Girling on (08) 9322 2022 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

AWST means Australian Western Standard Time, as observed in Perth, Western Australia.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules means the official listing rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Auxano means Auxano LLP of Level 12, 95 Pitt Street Sydney NSW 2000.

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.

Company or **NAV** means Navigator Resources Limited (ACN 063 366 487) (Subject to Deed of Company Arrangement) care of Pitcher Partners, Level 1, 914 Hay Street, Perth Western Australia.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act* 2001 (Cth) as amended or replaced from time to time.

Creditors Trust means the trust established pursuant to the Creditors' Trust Deed for the purposes of satisfying approved creditor claims.

Creditors Trust Deed means the Creditors Trust Deed entered into by the Company on 9 September 2015.

Deed Administrator and **Administrator** means Bryan Hughes of Pitcher Partners, Level 1, 914 Hay Street, Perth, Western Australia.

Director means a current or proposed director of the Company, as the context requires.

DOCA means the revised Deed of Company Arrangement entered into by the Company with the Syndicate on 9 September 2015.

Dollar or "\$" means Australian dollars.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

Extraordinary General Meeting or **Meeting** means the meeting of the Company's members convened by this Notice of Meeting.

First Placement Securities means the placement of First Placement A Shares, First Placement B Shares, and First Placement Options collectively.

First Placement A Shares means 200,000 Shares issued pursuant to the First Placement at a price of \$0.0025 per share.

First Placement B Shares means 25,000,000 Shares issued pursuant to the First Placement at an issue price of \$0.00001 per share.

First Placement Options means an Option to subscribe for one (1) Share in the Company for nil consideration per Option that is being issued as part of the First Placement.

First Placement Shares means the First Class A Shares and First Class B Shares collectively.

NAV means Navigator Resources Limited (ACN 063 366 487).

Independent Expert means Stantons International Securities Pty Ltd (ABN 42 128 908 289) of Level 2, 1 Walker Avenue, West Perth, WA 6005.

Independent Expert's Report means the report by the Independent Expert dated 30 November 2015 annexed to this Notice of Extraordinary General Meeting as Annexure A.

Management Options means Options which are issued to proposed Directors, key management and advisers of the Company as a means to provide remuneration, incentives or any other reasons as the Board at the time deems appropriate.

Management Optionholder means a person holding a Management Option.

New Board means the proposed Board of Directors of the Company constituting of Messrs Glen Dobbie, Malcolm Keefe, Greg Ruddock and Joshua McKean.

New Constitution means the constitution that will be tabled at this Notice of Meeting and proposed to be adopted by the Company as its constitution. A copy of the New Constitution can be viewed before the Extraordinary General Meeting by sending a written request to the Company.

Notice of Meeting or Notice of Extraordinary General Meeting means this Notice of Extraordinary General Meeting dated 21 January 2016 including the Explanatory Statement.

Official List means the official list of ASX.

Official Quotation means official quotation of the Company's Shares on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Otsana means Otsana Capital of 108 Outram Street, West Perth, Western Australia 6005

Proposal means the proposal presented by the Syndicate for the restructure and recapitalisation of the Company that was accepted by the Creditors of the Company, together with the Deed Administrator on 25 March 2015.

Proxy Form means the proxy form attached to this Notice of Meeting.

Related Party or Related Parties means each of Messrs Glen Dobbie, Malcolm Keefe, Greg Ruddock and Joshua McKean.

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

Second Placement Shares means the placement subject of Resolution 2, being the issue of up to 150,000,000 Second Placement Shares to general investors that may include members of the Syndicate (or their nominees).

Second Placement Shares means a Share in the Company at an issue price of \$0.01 per Share that is being issued as part of the Second Placement

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

Shareholder means a holder of a Share.

Syndicate means the syndicate headed by Otsana and Auxano that made the Proposal to the Company.

VWAP means Volume Weighted Average Price.

ANNEXURE A – INDEPENDENT EXPERT’S REPORT

30 November 2015

The Deed Administrators
Navigator Resources Limited
C- Whittens, Lawyers
Unit 5, 139 Bathurst Street
SYDNEY NSW 2000

Summary of Opinion

For the purposes of Section 611 (item 7) of TCA, in relation to the approval to issue up to 225,000,000 First Placement Shares, 175,000,000 First Placement Options, and 50,000,000 Second Placement Shares and 50,000,000 Management Options, in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 7 of this report, the proposal as outlined in paragraph 1.1 and Resolution 4 may on balance collectively be considered to be fair and reasonable at the date of this report.

Dear Sirs

RE: NAVIGATOR RESOURCES LIMITED (“NAV” OR “THE COMPANY”) (ACN 063 366 487) ON THE PROPOSAL THAT SHAREHOLDERS APPROVE THE ISSUE OF UP TO 200,000,000 SHARES AT 0.25 CENTS EACH, UP TO 25,000,000 SHARES AT 0.001 CENTS EACH, UP TO 175,000,000 OPTIONS AT AN EXERCISE PRICE OF 1 CENT EACH, UP TO 50,000,000 SHARES AT 1 CENT EACH AND UP TO 50,000,000 OPTIONS AT AN EXERCISE PRICE OF 2 CENTS EACH AS NOTED BELOW AND IN RESOLUTIONS 4, 5, 6, 7 AND 8 TO CUMULATIVELY RAISE \$1,000,250 (FROM A TOTAL CAPITAL RAISING OF UP TO \$2,000,250). MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 (“TCA”).

1. Introduction

- 1.1 We have been requested by the Syndicate (refer to paragraph 1.4) to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposals as set out in Resolution 4 of the Notice of Meeting (“the Notice”) and more fully described in the Explanatory Statement (“ES”) attached to the Notice to be disseminated to shareholders of NAV in or around December 2015.

Resolution 4 relates to issue a total of up to 225,000,000 ordinary shares (“First Placement Shares”) in NAV of which 200,000,000 will be issued at an issue price of 0.25 cents each to raise up to a gross \$500,000 (“First Placement A Shares”) and 25,000,000 will be issued at 0.001 cents each to raise a gross up to \$250 (“First Placement B Shares”), the proposal to issue up to 175,000,000 options in NAV (“First Placement Options”) for nil consideration to be exercisable at 1 cent per First Placement Option with an expiry date on or before three (3) years from date of issue, the proposal to issue up to 50,000,000 ordinary shares (out of 150,000,000 shares) (“Second Placement Shares”) in NAV at an issue price of 1 cent per share to raise up to a gross \$500,000 (out of a maximum up to \$1,500,000) and the proposal to issue up to 50,000,000 options in NAV (“Management Options”) to be exercisable at 2 cents per option on or before four (4) years from date of issue.

- 1.2 Overall, it is planned as part of the recapitalisation of NAV, to issue 225,000,000 First Placement Shares to raise up to \$500,250 (up to 200,000,000 Placement A Shares at 0.25 cents each and 25,000,000 First Placement B Shares at 0.001 cents each) (both part of Resolution 1 and 4); up to 150,000,000 Second Placement Shares at 1 cent each to raise up to \$1,500,000 (part of Resolution 1 and of which 50,000,000 First Placement Shares are being issued under Resolution 4); the issue of up to 175,000,000 First Placement Options (part of Resolutions 1 and 4) at nil consideration and the issue of up to 50,000,000 Management Options (part of Resolutions 3 and 4) issued for nil consideration.

Resolutions 5 to 8 also refer to the issue of some of the First Placement Shares, Second Placement Shares, First Placement Options and Management Options to be issued to the proposed new Directors of NAV. The proposed election of the new Directors to the Board of NAV are outlined in Resolutions 9 to 12. The proposed new Directors (Greg Ruddock, Joshua McKean, Glen Dobbie and Malcolm Keefe) are also referred to in this report and the ES attached to the Notice as the Related Parties. Glen Dobbie is also the sole shareholder and director of Auxano LLP (as noted below).

1.3 The issue of the First Placement Shares includes the issues of up to 225,000,000 ordinary NAV shares to a syndicate of investors formed by Otsana Capital and Auxano LLP (‘the Syndicate’). The Syndicate is also to be issued up to a further 175,000,000 First Placement Options, up to a further 50,000,000 Second Placement Shares (of up to 150,000,000 Second Placement Shares) and up to 50,000,000 Management Options. The Syndicate includes the proposed new Directors (Related Parties) of the Company. As noted above the issue of shares and options to the Syndicate require specific approval as outlined in Resolution 4 and the issue of shares and options to the Related Parties require specific approvals under Resolutions 5 to 8.

1.4 The proposed issue of up to 225,000,000 First Placement Shares, up to 175,000,000 First Placement Options, up to 50,000,000 Second Placement Shares and up to 50,000,000 Management Options to the Syndicate, is referred to in this report as the “Syndicate Subscription” as part of a maximum total \$2,000,250 capital raising as noted below (before the potential exercise of First Placement Options and Management Options).

In addition to the Syndicate Subscription, the additional proposed issue of up to a further 100,000,000 Second Placement Shares to raise a further up to \$1,000,000 is referred to as the “Placement Subscription”. The issue of First Placement Shares and Second Placement Shares to the Syndicate is referred to as “Syndicate Subscription Shares”, whilst the issue of First Placement Options and Management Options to the Syndicate is referred to as “Syndicate Subscription Options”. The Syndicate Subscription, which is included as part of the proposal as set out in Resolution 4, is also individually voted upon by non-associated shareholders of NAV (that is shareholders not associated with the Syndicate or its nominees).

1.5 The Resolutions pertaining to the maximum issue of First Placement Shares, First Placement Options, Second Placement Shares and Management Options amongst the Syndicate and others is as follows:

Resolution	Parties to be issued Securities	Maximum First Placement Shares to be issued	Issue and Exercise of First Placement Options	Maximum Second Placement Shares to be issued	Issue and Exercise of Management Options	Total Potential Share Issue	Maximum Voting Power
5	Greg Ruddock	20,000,000	15,000,000	5,000,000	3,333,333	43,333,333	7.01%
6	Joshua McKean	20,000,000	15,000,000	5,000,000	3,333,333	43,333,333	7.01%
7	Glen Dobbie	45,000,000	36,600,000	11,250,000	13,942,856	106,792,856	17.28%
8	Malcolm Keefe	20,000,000	15,000,000	5,000,000	5,714,286	45,714,286	7.39%
	Total Related Parties Subscription	105,000,000	81,600,000	26,250,000	26,323,808	239,173,808	38.69%
Part of 4	Other Associates (non- related parties)	120,000,000	93,400,000	23,750,000	23,676,192	260,826,192	42.19%
4	Total Syndicate Subscription	225,000,000	175,000,000	50,000,000	50,000,000	500,000,000	80.88%
2	Other Non Associated Parties	-	-	100,000,000	-	100,000,000	16.17%
1 to 8	Total	225,000,000	175,000,000	150,000,000	50,000,000	600,000,000	97.05%

- 1.6 Currently, there are 18,223,695 shares on issue and if all First Placement Shares and Second Placement Shares are issued, there would be 393,223,695 shares on issue and if all First Placement Options were exercised, there would be 568,223,695 shares on issue and if the Management Options were also exercised, the number of shares on issue would be 618,223,695.

Prior to the exercise of the First Placement Options and the Management Options, the collective shareholding of the Syndicate members in the ordinary share capital of NAV would approximate 69.93%. Further details on shareholding interests of the Syndicate and Related Parties are noted in the ES.

- 1.7 On 28 March 2013 NAV (subject to Deed of Company Arrangement) was placed into voluntary administration, with Mr Bryan Hughes of Pitchers Partners appointed as Administrator ("Administrators" and "Deed Administrators") of the Company and assumed control of the Company and its business, property and affairs.

A deed of company arrangement was entered into on 31 May 2013.

On 11 August 2015, creditors of the Company ("Creditors") voted in favour of a revision of the deed of company arrangement ("DOCA") submitted by a syndicate of investors formed by Otsana Capital and Auxano LLP (together forms part of the "Syndicate"), which dealt with the Company's Cummins Range rare earths exploration project and also contemplated the subsequent restructure and recapitalisation of the Company including the settlement of the claims of the Creditors (Proposal).

On 9 September 2015, the Deed Administrators entered into a variation of the previous arrangements and the DOCA with the Syndicate to effect the terms of the Proposal was executed ("DOCA").

- 1.8 The above Restructure is subject to the Company obtaining necessary shareholder approvals and any ASX regulatory re-quotation approvals, as well as NAV being released from all liabilities and long term commitments through the contemporaneous effectuation of the DOCA and payment of cash consideration. Inter alia, the Company's secured creditors (if any) must also vote to release security over assets, and all creditors will be required to be satisfied from the Creditors Trust. Furthermore, all subsidiaries of NAV shall be excised from NAV (unless required by the Syndicate).
- 1.9 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:
- (a) from 20% or below to more than 20%; or
 - (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

- 1.10 Following completion of the Restructure and the other proposals noted in paragraph 1.2 above and in the Notice, the Syndicate who currently holds nil shares in NAV would own a total of 275,000,000 shares in NAV (not including the potential issue and exercise of First Placement Options and Management Options) representing approximately 69.93% of the then shares on issue (assuming no other shares are issued or options converted). There would be 393,223,695 NAV shares on issue.

Accordingly, should the First Placement Options and Management Options be issued and exercised, the Syndicate could own approximately 500,000,000 shares in the expanded capital of NAV, and this would represent approximately 80.88% of the then expanded

shares on issue in NAV (total shares on issue would increase to 618,223,695). As it is envisaged that the Syndicate would collectively hold approximately 69.93% of the issued capital of NAV (post issuance of the First Placement Shares and Second Placement Shares, but before the issue and exercise of the First Placement Options and Management Options), and hold approximately 80.88% of the expanded share capital of NAV (post issuance and exercise of First Placement Options and Management Options), the Syndicate will be deemed to have control of NAV and will have effective Board control post the effectuation of the Restructure. The new Board (the Related Parties who are part of the Syndicate) will collectively control approximately 33.38% of the expanded issued capital of NAV before the exercise of any First Placement Options and any Management Options. If all First Placement Options and any Management Options were also exercised, the new Board would control approximately 38.68% of the shares on issue in NAV (assuming no further share issues).

- 1.11 Individually, the Related Parties, namely Messer's Ruddock, McKean, Dobbie and Keefe, would own 6.36%, 6.36%, 14.30% and 6.36% respectively of the issued capital of NAV (before the issue and potential exercise of First Placement Options and Management Options). Should the First Placement Options and Management Options be issued and fully exercised, Messer's Ruddock, McKean, Dobbie and Keefe would individually own 7.01%, 7.01%, 17.27% and 7.39% of the Company respectively.

- 1.12 A notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA should be accompanied by an independent expert's report stating whether it is fair and reasonable to approve the issue of up to 225,000,000 First Placement Shares, up to 175,000,000 First Placement Options, up to 50,000,000 Second Placement Shares and up to 50,000,000 Management Options to raise a gross \$1,000,250.

To assist shareholders in making a decision on the proposal outlined in Resolution 4 of the Notice, (and Resolutions 5, 6, 7 and 8 relating to individual Related Parties which also form part of Resolution 4 of the Notice), the proposed directors have requested that Stantons International Securities Pty Ltd prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposals under Resolution 4 are fair and reasonable to the non-associated shareholders of NAV.

- 1.13 We are not reporting on the fairness and reasonableness of the other resolutions referred to in the Notice and Explanatory Statement, other than Resolution 4 as outlined above. However, in order to opine on the proposals under Resolution 4, we have had to consider the proposals as noted in Resolutions 1 and 2 (and 5 to 8).

- 1.14 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals with the Consortium
- Corporate history and nature of business
- Future direction of NAV
- Basis of valuation of NAV shares
- Premium for control
- Consideration as to fairness and reasonableness
- Conclusion as to fairness and reasonableness
- Shareholder Decisions
- Sources of information
- Appendix A and Financial Services Guide

- 1.15 In determining the fairness and reasonableness of the transactions pursuant to Resolution 4, we have had regard to the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". The Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the

consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the “target” and irrespective of whether the consideration is scrip or cash. An offer is “reasonable” if it is fair.

An offer may also be reasonable, if despite not being “fair”, there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transactions proceed compared with if they do not.

- 1.16 Accordingly, our report in relation to Resolution 4 comprising the approval to issue up to 225,000,000 First Placement Shares, up to 175,000,000 First Placement Options, up to 50,000,000 Second Placement Shares and up to 50,000,000 Management Options to the Syndicate or their nominees is concerned with the fairness and reasonableness of the proposal with respect to the existing non-associated shareholders of NAV and whether the Syndicate is paying a premium for control.

Summary of Opinions

- 1.17 **For the purposes of Section 611 (item 7) of TCA, the proposals in relation to the approval to issue up to 225,000,000 First Placement Shares, up to 50,000,000 Second Placement Shares, up to 175,000,000 First Placement Options and up to 50,000,000 Management Options together the Syndicate as set out in Resolution 4 are in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 7 of this report, may on balance collectively be considered to be fair and reasonable to the non-associated shareholders at the date of this report.**
- 1.18 Each shareholder needs to examine the share price of NAV, market conditions and announcements made by NAV up to the date of the shareholders meeting at the time of exercise of vote to ascertain the impact, if any, on Resolution 4 (and all other Resolutions). The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

2. Implications of the Proposals

- 2.1 As at 30 November 2015, there are 18,223,695 ordinary fully paid shares on issue in NAV, Post the implementation of all of the recapitalisation proposals, the maximum number of shares may be:

Number of shares on issue	18,223,695
Issue of Shares	
Issue of First Placement Shares	225,000,000
Issue of Second Placement Shares	<u>150,000,000</u>
Shares on issue prior to exercise of share options	393,223,695
Exercise of the First Placement Options	<u>175,000,000</u>
Potential shares on issue prior to the exercise of the Management Options	568,223,695
Exercise of the Management Options	<u>50,000,000</u>
Potential shares on issue	<u>618,223,695</u>

Further details on the shares that could be on issue and the shareholding interests of the Syndicate and other parties are noted in the ES attached to the Notice.

- 2.2 Following completion of the Subscription Agreements and the other proposals noted in paragraphs 1.1 and 1.2 above and in the Notice, the Syndicate who currently holds nil shares in NAV would own a total of up to 500,000,000 shares in NAV representing approximately 80.88% of the then shares on issue (assuming all other share are issued as envisaged and all options issued have been made and the full exercise of options completed by the option holders as described in the Notice and ES). There would be 618,223,695 NAV shares on issue.

The Company will raise \$2,000,250 from the issue of First Placement Shares, Second Placement Shares and First Placement Options, (but before the exercise of First Placement Options and Management Options) of which \$1,000,250 will come from the Syndicate or their nominees. Should the Syndicate receive its full allotment of First Placement Options and Management Options, and exercise all the aforementioned options, a further \$2,750,000 would be raised upon exercise of these options at a future point in time from the Syndicate.

The Company seeks approval for the issue and allotment of up to 225,000,000 First Placement Shares, up to 50,000,000 Second Placement Shares and potential issue and exercise of up to 175,000,000 First Placement Options and up to 50,000,000 Management Options in the capital of the Company to the Syndicate (or via nominee entities) under the Syndicate Placement. As noted above, should the Syndicate exercise its allotment of First Placement Options and Management Options, the amount raised from the Syndicate would increase by \$2,750,000 to a total amount raised of \$3,750,250 (the proceeds on exercising the First Placement Options (\$816,000) and the Management Options (\$526,476) from the Related Parties would be \$1,342,476).

- 2.3 We understand that the Subscription monies raised will be used for working capital, development of the existing NAV business (relating to exploration and evaluation of the Cummins Range mineral prospect more fully described in the ES attached to the Notice), payment to the Deed Administrator under the DOCA and identifying new opportunities for NAV shareholders.
- 2.4 The Board of NAV, should all Resolutions as part of the Notice be consummated and the DOCA be effectuated (that is post potential shareholder approval), would consist of Messer's Greg Ruddock, Joshua McKean, Glen Dobbie and Malcolm Keefe. Further new directors may be appointed in the future as the needs arise.
- 2.5 As at 30 November 2015, it is believed that the number of ordinary shares on issue in NAV prior to consolidation of capital is 18,223,695. If all the Resolutions are consummated, the Syndicate will collectively own up to approximately 69.93% of the expanded (post consolidated) share capital of the Company. The actual holding of the capital of the Company, post consummation of all Resolutions put to the shareholders in the Notice by existing shareholders will be 4.63% (2.95% if all First Placement Options and Management Options are exercised). Messrs Ruddock, McKean, Dobbie and Keefe will each own approximately 7.01%, 7.01%, 17.27% and 7.39% respectively of the expanded post consolidated capital of the Company (assuming the issue and exercise of all the options).
- 2.6 The estimated costs of the Notice for the meeting of shareholders and other costs including corporate and advisory fees, ASX listing fees and other costs will be around \$285,000. Under the Recapitalisation Proposal the Company will also pay a further \$615,000 to the Creditors Trust.
- 2.7 Set out below is a statement of financial position of the Company based on the Administrators records as at July 2015 together with the pro-forma balance sheet (statement of financial position) if all resolutions are passed and consummated (and adjusted to exclude approximately \$564,000 of creditors and amounts owing to the Deed Administrators and Administrators (net of \$97,000 cash and receivables) which would have been transferred to the Creditors Trust when the Company comes out of the DOCA).

	Estimated Statement of Financial Position* \$	Statement of Financial Position after Resolutions passed \$
Current Assets		
Cash Assets (see below)	-	1,100,250
	-	1,100,250
Non Current Assets		
Cummins Range Asset (see paragraph 3.3 below)	Not available	Not available
Total Assets	Not available	1,100,250
Liabilities		
Trade Creditors and Accruals	564,000	-
Total Current Liabilities	564,000	-
Net (Deficiency)/Surplus	(564,000)	1,100,250

Note 1

The movement in the cash assets is reconciled as follows:

Cash Assets:	
Opening Balance	-
Issue of First Placement A Shares at 0.25 cents each	500,000
Issue of First Placement B Shares at 0.001 cents each	250
Issue of Second Placement of Shares at 1 cent each	1,500,000
Payment to the Creditors Trust	(615,000)
Payment of recapitalisation costs	(285,000)
Net cash on hand	1,100,250

Thus estimated net cash after the capital raisings and payment for costs of the Notice and other costs and the payment to the Creditors Trust will be \$1,100,250 and no other material liabilities.

3. Corporate History and Nature of Business

- 3.1 NAV is currently suspended from its listing on the ASX and after entering into several DOCA's in 2013 and 2014 it has sold all mineral projects except for the Cummins Project near Halls Creek in Western Australia and materially reduced its pre-administration secured creditors. The Company post recapitalisation and post DOCA will evaluate the economic viability of continuing with the Cummins Project and may seek new mineral business projects.
- 3.2 A summarised unaudited consolidated balance sheet (statement of financial position) of NAV post ratification of all Resolutions is outlined in paragraph 2.8 of this report.
- 3.3 The retention of the Company's existing asset (unencumbered) includes the Cummins Project more fully described in the ES attached to the Notice. It is noted that the Deed Administrators have indicated in the July 2015 report to Creditors that if the recapitalisation proposal as noted above does not occur, the Company will probably be placed into liquidation and Creditors would not receive a dividend on wind up. This implies that there may be minimal current value to the Cummins Project (insufficient funds would be raised from sale of the Cummins Project to pay all Creditors) and that shareholders value pre recapitalisation is \$nil. In the event that NAV fails in its recapitalisation, there is a high

probability that it would lose its rights under the exploration licence relating to the Cummins Project as it would not be able to meet its minimum exploration expenditures as required under licensing conditions or the tenement would be plighted.

4. Future Directions of NAV

4.1 We have been advised by the proposed directors of NAV that:

- The immediate short-term plan is to reapply for trading on the ASX so that the shares are freely tradable on the ASX;
- To complete all the Resolutions in the Notice to raise up to \$2,000,250 (not including the effect of any further funds from the exercise of First Placement Options and the exercise of Management Options) and such funds will be used for working capital, development of the existing NAV business (evaluate the Cummins Project), payment to the Deed Administrators and Creditors under the DOCA and identifying new opportunities for NAV shareholders;
- Composition of the Board of directors of NAV may change in the near future as outlined in paragraph 2.4;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company may seek to raise further capital if required but no further capital raisings are expected in the first half 2016 (other than the up to \$2,000,250 monies raised in the last quarter of calendar 2015 as noted in this report).

5. Basis of Valuation of NAV

5.1 Shares

5.1.1 In considering the proposals as outlined in Resolution 4, we have sought to determine whether the issue price of the Syndicate Subscription Shares to the Syndicate (or their nominees) is in excess of the current fair value of the shares in NAV on issue and then conclude whether the proposal is fair and reasonable to the existing non associated shareholders of NAV.

5.1.2 The valuation methodologies we have considered in determining a theoretical value of a NAV share are:

- capitalised maintainable earnings/discounted cash flow;
- takeover bid - the price at which an alternative acquirer might be willing to offer;
- adjusted net asset backing and windup value; and
- the recent market prices of NAV shares.

5.2 Capitalised maintainable earnings and discounted cash flows

5.2.1 NAV currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not considered to be appropriate, particularly given the fact that the Company entered into voluntary administration in May 2013.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for NAV could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. Currently the Company is in voluntary administration, and the Company has undertaken a variation to the Deed of Company Arrangement with the Syndicate led by Otsana Capital and Auxano LLP for the Company to emerge from administration. To our knowledge, there was no rival bid to recapitalise the Company. However, if all of the First Placement Shares and Second Placement Shares are issued and the First Placement Options and Management Options

are issued and exercised, the Syndicate (either individually or via nominees) would control approximately 80.88% of the expanded ordinary issued capital of NAV, but before any other further share issues as referred to in this report and the Notice and ES.

5.4 Adjusted Net Asset Backing

5.4.1 Net asset backing and windup value

5.4.1 As noted above prior to the recapitalisation process, NAV has no cash, or other assets (apart from an interest in the Cummins Project) with no ascribed value. The Deed Administrators consider that on a windup basis, the return to shareholders would be nil (refer paragraph 3.3 of this report).

5.4.2 Purely based on the net cash value of a recapitalised NAV, the net assets would be disclosed at approximately \$1,100,250 (assuming the Company raises \$2,000,250 as noted above) which would be equivalent to approximately 0.28 per share, assuming 393,223,695 shares would be on issue after the recapitalisation process (but before the exercise of First Placement Options and the exercise of Management Options). This compares with the estimated current net value of an NAV share of nil cents. Should the existing First Placement Options be exercised to raise a further \$1,750,000 as well as the Management Options be exercised, a further \$1,000,000 be raised and the total number of shares on issue would increase to 618,223,695 shares on issue or approximately 0.62 cents per share (assuming no further shares are issued and ignoring any post recapitalisation losses).

5.5 Market price of NAV shares

5.5.1 As the Company is suspended from the ASX, we do not believe it is appropriate to value the NAV share based on prior quoted prices of NAV shares on the ASX.

Summary conclusion on value of a share in NAV

5.6 After taking into account the matters referred to in the preceding paragraphs, we are of the view that the current theoretical value of an NAV share (prior to the recapitalisation process) is nil cents. As disclosed above the Company has no material assets with minimal business activities, however it still retains the Cummins Project (that will need to incur certain exploration costs in order to retain such project). If the minimum expenditure is not spent (as required under the exploration licence conditions), the Cummins Project may be subject to forfeiture.

5.7 If the recapitalisation process is finalised, the net value of an NAV share immediately post recapitalisation would approximate 0.28 cents per share (assuming the \$2,000,250 is raised as noted in the Resolutions in the Notice, but before the exercise of First Placement Options and the exercise of Management Options).

6. Premium for Control

6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.

6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, the Syndicate could hold approximately 69.93% of the expanded issued capital of NAV (the Related Parties, Messer's Ruddock, McKean, Dobbie and Keefe would individually own 6.36%, 6.36%, 14.30% and 6.36% of the Company respectively). In take-over offers, it is often the case that a premium for control falls in the normal range of 15% to 40% and it is often accepted that a 20% premium for control should be payable. The actual premium may be more or less. In this case, we assume a reasonable premium for control should be 20%.

- 6.3 The NAV shares that are proposed to be issued to the Syndicate (the subject of Resolution 4), are deemed to be theoretically worth nil cents. Before certain transaction costs (assuming to amount to \$285,000), a net cash balance of approximately \$1,100,250 will remain in the Company (assuming the raising of the \$2,000,250 referred to above).

In our opinion, it is possible that the Syndicate are paying a premium for control, however, the non associated shareholders of NAV are benefiting in that the theoretical value of an NAV share rises from nil cents to a company with theoretical cash backed value of approximately 0.28 cents per share.

If the recapitalisation proposal is completed the Company may be in a position to seek new funds and new businesses in the future and depending on whether it is required to comply with Chapters 1 and 2 of the ASX Listing Rules may seek re-quotation of the Company's shares on the ASX. No major fund raising or new business acquisitions have yet been identified.

- 6.4 Our preferred methodology is to value NAV and an NAV share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.2 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transaction control basis.
- 6.5 We set out below the comparison of the value of an NAV share compared to the issue price for the Subscription Shares.

	Para.	Book Value (cents)
Estimated fair value of an NAV Share	5.6	0.00
Issue price of the First and Second Placement Shares (average rate)		0.50
Excess between Subscription Price and fair value		<u>0.50</u>

The 0.50 cents is a blended rate of the issue of 200,000,000 First Placement A Shares at 0.25 cents each, 25,000,000 First Placement B Shares at 0.001 cents each and 150,000,000 Second Placement Shares at 1.0 cents each.

- 6.6 On a pre Proposed Transaction control basis, the value of an NAV share is nil cents per share. The recapitalisation is expected to raise \$2,000,250 post consummation of all Resolutions. Based on the preferred value of nil cents per share, a premium for control is being paid by the Syndicate.
- 6.7 We note that the Syndicate does not have Board control of NAV, and has a nil interest in NAV at the date of this report.

7. Fairness of the Proposals

- 7.1 The concept of "fairness" is to be taken to be the value of the offer price, or the consideration being equal to or greater than the value of the securities in the above mentioned offer. As noted above the NAV shares that are proposed to be issued to the Syndicate, (the subject of Resolution 4) are deemed to be theoretically worth nil cents. Assuming a 20% premium for control, the deemed theoretical value is still nil.
- 7.2 If the recapitalisation proposal is completed, the theoretical value of an NAV share increases to approximately 0.28 cents before the potential exercise of any options. The theoretical value of a NAV share post recapitalisation from a non associated shareholder's perspective, based on the estimated net assets of \$1,100,250 is 0.28 cents (prior to the

potential exercise of any options) which is in excess of the theoretical value pre recapitalisation of nil cents per share. Based on a fully diluted basis (after the exercise of the 175,000,000 First Placement Options at 1 cent each and the 50,000,000 Management Options to the Syndicate at 2 cents each), the potential cash on hand increases by \$2,750,000, the net assets increase to \$3,850,250 (ignored post recapitalisation losses and ascribing no value to the Cummins project, if still retained), and the theoretical value of a NAV share increases from nil to 0.62 cents based on the potential shares on issue of 618,223,695 shares. The theoretical value of a NAV share post recapitalisation from a non associated shareholder's perspective on a fully diluted basis, based on the estimated net assets of \$1,100,250 is 0.28 cents which is in excess of the theoretical value pre recapitalisation of nil cents per share.

7.3 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

- (a) the fair market value of an NAV share pre-transaction on a control basis; versus
- (b) the fair market value of an NAV share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction.

7.4 The value of an NAV share pre the Proposed Transactions on a control basis is:

	Para.	Book Value (cents)
Estimated fair value of an NAV Share	5.6	nil

7.5 The preferred fair market value of a NAV share has been estimated at nil cents on a pre Proposed Transaction control basis. The Syndicate Subscription yields to an adjusted value of 0.233 cents per NAV share (refer below). As the preferred fair market value of an NAV share is greater on a post transaction basis, the proposed Syndicate Subscription is considered to be fair to the non associated shareholders.

7.6 We set out below the range of estimated technical net asset values of NAV based on the Pro-forma Balance Sheet as detailed in paragraph 2.8 (after adjusting for the following transactions):

Issue of First Placement A Shares at 0.25 cents each	\$500,000
Issue of First Tranche B Placement Shares at 0.001 cents each	250
Issue of Second Placement of Shares at 1 cent each	\$1,500,000
Payment to Creditors Trust	\$(615,000)
Payment of recapitalisation costs	\$(285,000)
NAV Business Asset (see paragraph 3.3 above)	No Ascribed value
Cash (after paying \$615,000 to Creditors Trust and recapitalisation costs)	1,100,250
Total net assets	<u>1,100,250</u>
Number of shares on issue	393,223,695
Net asset value per share (cents)	0.28
Minority interest discount	16.67%
Minority value per share (cents)	0.233
Issue Price (Blended Rate) (see paragraph 6.5 above) (cents)	0.50

- 7.7 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 6.2.
- 7.8 As noted above the fair market value of an NAV share Post-Transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction has a preferred fair value of approximately 0.233 cents.
- 7.9 We set out below a comparison of:
- the fair market value of an NAV share pre-transaction on a control basis; versus
 - the fair market value of an NAV share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction.

	Para.	Value (cents)
Estimated fair value of a NAV Share Pre Transaction on a control basis	5.6	nil
Estimated fair value of a NAV Share Post Transaction on a minority basis	7.6	0.233
Excess/(shortfall) between Pre transaction Price and Post transaction Price		<hr/> 0.233 <hr/>

Using the preferred net asset fair values, the estimated fair value of a NAV share Pre Transaction on a control basis is less than the estimated fair value of a NAV share Post Transaction on a minority basis and on this basis the Syndicate Subscription is considered fair to the non associated shareholders of NAV.

We have ignored the dilution effect of the exercise of the planned First Placement Options and the Management Options. Both classes of share options are unlikely to be exercised until the shares in NAV consistently trade on ASX at above 1 cent each for the First Placement Options and 2 cents for the Management Options. In any event, if exercised and ignoring all other transactions, the minority value per share on a fully diluted basis would increase.

7.10 Conclusion as to fairness

After taking into account the matters referred to in 7 above and elsewhere in this report, we are of the opinion that the proposals as outlined in Resolution 4 are on balance fair to the non-associated shareholders of NAV as at the date of this report.

8. Reasonableness of the Proposals

Advantages

- 8.1 The passing and consummation of Resolution 4 (and collectively Resolutions 1 to 9) in conjunction with the completion of the recapitalisation process would result in a net cash injection of approximately \$1,100,250 (assuming the capital raising of the \$2,000,250 referred to above and payment of \$285,000 in expenses and \$615,000 to the Creditor's Trust) into the Company and having a company with minimal or no liabilities, compared with the current position whereby the Company has net assets of approximately \$nil.
- 8.2 If the proposals per Resolution 4 (and collectively Resolutions 1 to 9) are consummated along with the completion of the recapitalisation process, the net cash asset backing of an

NAV share rises from nil cents to approximately 0.28 cents (assumes \$2,000,250 worth of shares are issued).

- 8.3 If Resolution 4 (and collectively Resolutions 1 to 9) are passed together with the completion of the recapitalisation process (and other Resolutions not reported upon in this Report), the Company's chances to seek re-quotation of its shares on the ASX are enhanced in that without the recapitalisation, it is likely that the Company would be dissolved and struck off. By obtaining re-quotation of the Company's shares, the existing shareholders are offered liquidity to sell their shares on the ASX.

If the Company went into liquidation (the Deed Administrators consider this likely in the absence of the Restructure as envisaged or some other favourable recapitalisation proposal), the Company would lose the Cummins Project that in the long term may lead to a successful mineral project. The Deed Administrators consider that in the absence of the Restructure, the Creditors would receive nil return and thus implying that shareholders value pre Restructure is nil.

- 8.4 The proposed directors bring expertise to the Company in that Messer's Ruddock, McKean, Dobbie and Keefe have either financial, accounting, marketing and corporate experience and/or experience as directors or managers of public listed companies or other trading entities. The ES discloses the background of the proposed directors.

Disadvantages

- 8.5 A significant shareholding in the Company is being given to the Syndicate, and in particular the Related Parties and the other members of the Syndicate in general combined would own approximately 80.88% of the expanded issued capital of the Company. However, we note that NAV will be partly recapitalised with approximately \$1,100,250 in net cash (assuming the \$2,000,250 capital raising and payment of \$285,000 in recapitalisation costs and \$615,000 to the Creditor's Trust), will have no debt and will have the opportunity to evaluate the Cummins Range Project and consider the acquisition of other assets or businesses. The existing shareholders are diluted to approximately 4.63%. It is assumed that all Syndicate investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX.

- 8.6 NAV would only have approximately net cash of \$1,100,250 (assuming the raising of \$2,000,250 as noted above and payment of \$285,000 of recapitalisation costs and \$615,000 to the Creditors Trust) after the consummation of the recapitalisation process is complete. Further fundraisings may be required to be undertaken in the future. If further shares are issued, the percentage shareholding of the existing shareholders of NAV may be diluted down even further. However as noted above, the shares in NAV prior to the recapitalisation process is considered to be of nil value, with the possibility of the Company being placed into liquidation.

- 8.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable. Refer to the Letter to Shareholders accompanying the Notice on the proposed expenditure post the recapitalisation process.

Other

- 8.8 The 175,000,000 First Placement Options, if exercised, would result in a further inflow of funds to NAV of \$1,750,000. The exercise price of the 175,000,000 First Placement Options is 1 cent each. The trading price of a NAV share (after re-quotation of the Company's shares on the ASX that is dependent upon completion of the recapitalisation process) at the date of exercise of the share options could be in excess of 1 cent before option holders exercised such share options.

- 8.9 The 175,000,000 First Placement Options to be issued for nil consideration have been valued using the Black Scholes option valuation methodology with the key assumptions of an exercise price of 1.0 cents, a share price of 1.0 cents, an interest rate of 1.94%, a term

of 3 years and a volatility factor of 75%. The value ascribed is 0.44 cents per share option (before discount) for a total value of approximately \$770,000 but against which a discount of 25% is applied for the unlisted status of the options to an adjusted value of \$577,500. If all exercised, the Company would receive \$1,750,000.

- 8.10 The 50,000,000 Management Options to be issued for a total of nil consideration have been valued using the Black Scholes option valuation methodology with the key assumptions of an exercise price of 2.0 cents, a share price of 1.0 cents, an interest rate of 1.94%, a term of 4 years and a volatility factor of 75%. The value ascribed is 1.25 cents per share option (before discount) for a total value of approximately \$625,000 but against which a discount of 25% is applied for the unlisted status of the options to an adjusted value of \$468,750. If all exercised, the Company would receive \$1,000,000.

9. Conclusion as to Reasonableness

- 9.1 **After taking into account the matters referred to in 8 above and elsewhere in this report, we are of the opinion that the proposals as outlined in Resolution 4 are on balance reasonable to the non-associated shareholders of NAV as at the date of this report.**

10. Shareholder Decision

- 10.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the proposals outline in Resolution 4 are fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 4 (and all other Resolutions) but we have been requested to determine whether the proposals pursuant to Resolution 4 are fair and/or reasonable to those shareholders not associated with the Syndicate. The responsibility for such a voting recommendation lies with the proposed directors of NAV.

- 10.2 In any event, the decision whether to accept or reject Resolution 4 (and all other Resolutions) is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position.

If in any doubt as to the action they should take in relation to the proposals under Resolution 4 (and all other Resolutions), shareholders should consult their own professional adviser.

- 10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in NAV. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposals under Resolution 4 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.

11. Sources of Information

- 11.1 In making our assessment as to whether the proposals pursuant to Resolutions 4 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of NAV which is relevant in the current circumstances. In addition, we have held discussions with a proposed director of NAV and a party associated with the Syndicate about the present state of affairs of NAV. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the proposed director and the representative of the Syndicate and publicly filed information on the financial position of the Company lodged via the ASX website.

11.2 Information we have received includes, but is not limited to:

- drafts of the September 2015 to 26 November 2015 Notice of General Meeting of Shareholders of NAV (and drafts of the ES attached);
- discussions with a proposed director and a representative of the Syndicate;
- shareholding details of NAV;
- announcements, if any, made by NAV to the ASX to 29 November 2015;
- the reports to Creditors by the Administrators and/or Deed Administrators in 2013, 2014 and 2015; and
- the DOCA of September 2015.

11.3 Our report includes Appendix A and Financial Services Guide, attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)

A handwritten signature in dark ink, appearing to read 'John Van Dieren', followed by a long horizontal flourish.

John Van Dieren- FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd trading as Stantons International Securities Pty Ltd dated 30 November 2015, relating to Resolution 4 outlined in the Notice of Meeting of Shareholders and the accompanying ES to be distributed to shareholders of NAV in or around December 2015.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with NAV other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$10,000 (excluding GST). The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities Pty Ltd nor John P Van Dieren or Martin Michalik have received nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report. Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd or any directors of Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd do not hold any securities in NAV. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, John Van Dieren and Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice. Stantons International Securities has prepared other independent expert reports for parties associated with Otsana.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Investment Advisers Licence (No 448697) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John Van Dieren (FCA) and Mr Martin Michalik the persons responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuations and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of the proposed Directors and the Syndicate in order to assist the shareholders of NAV to assess the merits of the proposals (Resolution 4) to which this report relates. This report has been prepared for the benefit of the NAV shareholders and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act 2001 and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer term value of NAV. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of NAV or any of its subsidiaries. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolutions 4 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 4 (and all other Resolutions).

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by the Syndicate (represented by Otsana and Auxano, their officers and other parties (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd experience and qualifications), the Syndicate has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which NAV may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by the Syndicate and NAV's Deed Administrators; and
- (b) to indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from the Syndicate (as represented by Otsana and Auxano or any of its officers) and NAV providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of the Syndicate, NAV and their officers (as represented by Otsana and Auxano) in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to the proposed Directors and the Syndicate (as represented by Otsana and Auxano) for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 30 November 2015**

1. Stantons International Securities Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated entities receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities Pty Ltd
Level 2
1 Walker Avenue
WEST PERTH WA 6005

Telephone: 08 9481 3188
Facsimile: 09 9321 1204

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

ANNEXURE B – DILUTIONARY EFFECT OF ISSUE OF RELATED PARTY SECURITIES

Holder	Issued shares as at the date of this Notice of Meeting	First Placement shares to be issued	Second Placement Shares to be issued	Total Shares Issued	Dilutionary effect upon issue of First and Second Placement Shares (undiluted) ¹	First placement options to be issued	Management Options to be issued	Issued Shares upon issue of First and Second Placement Securities (fully diluted)	Dilutionary Effect upon issue of First and Second Placement Securities ²
Syndicate (Related Parties)									
Mr Dobbie	-	45,000,000	11,250,000	56,250,000	14.30%	36,600,000	13,942,856	106,792,856	17.27%
Mr Keefe	-	20,000,000	5,000,000	25,000,000	6.36%	15,000,000	5,714,286	45,714,286	7.39%
Mr Ruddock	-	20,000,000	5,000,000	25,000,000	6.36%	15,000,000	3,333,333	43,333,333	7.01%
Mr McKean	-	20,000,000	5,000,000	25,000,000	6.36%	15,000,000	3,333,333	43,333,333	7.01%
Related Parties Total		105,000,000	26,250,000	131,250,000	33.38%	81,600,000	26,323,808	239,173,808	38.69%
Syndicate (non-related parties)									
Non Related Parties	-	120,000,000	23,750,000	143,750,000	36.56%	93,400,000	23,676,192	260,826,192	42.19%
Syndicate Total		225,000,000	50,000,000	275,000,000	69.94%	250,825,000	74,123,808	500,000,000	80.88%
Public offer under second placement	-	-	100,000,000	100,000,000	25.43%	-	-	100,000,000	16.17%
Existing Shareholders	18,223,695			18,223,695	4.63%			18,223,695	2.95%
FINAL TOTAL	18,223,695	225,000,000	175,000,000	393,223,695	100.00%	175,000,000	50,000,000	618,223,695	100.00%

Notes:

- Assumes that all First and Second Placement Shares are issued.
- Assumes a total of 393,223,695 shares are on issued (including First and Second Placement Shares, all 170,000,000 First Placement Options and 50,000,000 Management Options are exercised, resulting in a total issued Share Capital of 618,223,695 Shares. The aggregate dilutionary effect of the issue of the Related Party Securities is 38.69% on the basis that each proposed Director is deemed to hold a relevant interest in each other proposed Director's Related Party Securities

ANNEXURE C – TERMS OF FIRST PLACEMENT OPTIONS

1. Each Option gives the Optionholder the right to subscribe for 1 Share for every Option they own in the Company. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with these terms and conditions.
2. The Options will expire at 5:00pm (AEST) on the date 3 years from issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
3. The amount payable upon the exercise of each Option will be 1 cent (\$0.01) (**Exercise Price**).
4. The Options may be exercised in whole or in part, and if exercised in part, multiples of 100,000 must be exercised on each occasion.
5. Optionholders may exercise their Options by lodging with the Company, before the Expiry Date:
 - (a) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (b) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.

(Exercise Notice)

6. An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
7. Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
8. The Options are freely transferrable.
9. All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
10. The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of the Options on ASX immediately after the allotment of those Shares.
11. If at any time the issued capital of the Company is reconstructed, all rights of the Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
12. There are no participating rights or entitlements inherent in the Options and the Optionholder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give the Optionholder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

13. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
14. In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issue of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.
15. In the event the Options are exercised by the Optionholders, the Company intends to use the funds raised in accordance with Table 4.

ANNEXURE D – TERMS OF MANAGEMENT OPTIONS

1. Each Option gives the Optionholder the right to subscribe for 1 Share for every Option they own in the Company. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with these terms and conditions.
2. The Options will expire at 5:00pm (AEST) on the date 4 years from issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
3. The amount payable upon the exercise of each Option will be 1 cent (\$0.02) (**Exercise Price**).
4. The Options may be exercised in whole or in part, and if exercised in part, multiples of 100,000 must be exercised on each occasion.
5. Optionholders may exercise their Options by lodging with the Company, before the Expiry Date:
 - (a) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (b) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.

(Exercise Notice)

6. An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
7. Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
8. The Options are freely transferrable.
9. All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
10. The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of the Options on ASX immediately after the allotment of those Shares.
11. If at any time the issued capital of the Company is reconstructed, all rights of the Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
12. There are no participating rights or entitlements inherent in the Options and the Optionholder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give the Optionholder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

13. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
14. In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issue of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.
15. In the event the Options are exercised by the Optionholders, the Company intends to use the funds raised in accordance with Table 4.

ANNEXURE E – NOMINATION OF AUDITOR

15 October 2015

Bryan Hughes
Deed Administrator
Navigator Resources Limited (subject to DOCA)
C/- Pitcher Partners
Level 1
914 Hay Street
PERTH WA 6000

By Email: Enrico Iskandar (iskandare@pitcher-wa.com.au)

Dear Bryan

**Nomination of auditor
Navigator Resources Limited (subject to Deed of Company Arrangement) (ACN 063 366 487) ("Company")**

I am the sole director and secretary of Yandal Investments Pty Ltd ("Yandal"), which is a member of the Company.

As requested by yourselves, Yandal nominates PKF Hacketts Audit (ABN 33 873 151 348) as auditor of the Company.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mark Creasy'.

**Mark Gareth Creasy
Sole Director and Secretary
Yandal Investments Pty Ltd**

Holder Number

Security Holder Appointment of Proxy – Extraordinary General Meeting

I/We being a Shareholder entitled to attend and vote at the Meeting, hereby appoint

OR

The Chair as my/our proxy

(Name of 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 Extraordinary General Meeting to be held at 10.30am (AWST) on 21 January 2016 at the offices of Otsana Capital, 108 Outram Street, West Perth, WA and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 2, 3 and 16 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 2, 3 and 16 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for", "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

VOTING ON BUSINESS OF THE MEETING

Resolutions	For	Against	Abstain	Resolutions	For	Against	Abstain
1 ISSUE OF SECURITIES PURSUANT TO THE FIRST PLACEMENT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 ELECTION OF MR GREG RUDDOCK AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 ISSUE OF SECOND PLACEMENT SHARES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 ELECTION OF MR JOSHUA MCKEAN AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 APPROVAL OF FUTURE ISSUE OF 50,000,000 MANAGEMENT OPTIONS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 ELECTION OF MR GLEN DOBBIE AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 ACQUISITION OF A RELEVANT INTEREST	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 ELECTION OF MR MALCOLM KEEFE AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 RELATED PARTY APPROVAL – GREG RUDDOCK	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 REPEAL AND ADOPTION OF A CONSTITUTION	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 RELATED PARTY APPROVAL – JOSHUA MCKEAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14 REMOVAL OF AUDITOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 RELATED PARTY APPROVAL – GLEN DOBBIE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15 APPOINTMENT OF AUDITOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 RELATED PARTY APPROVAL – MALCOLM KEEFE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	16 INCREASE NON-EXECUTIVE DIRECTORS' FEE POOL	<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.

SIGNATURE OF SHAREHOLDER(S):

Individual or Shareholder 1

Sole Director or
Sole Director / Company Secretary

Shareholder 2

Director

Shareholder 3

Director / Company Secretary

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

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. The appointed proxy may be an individual or body corporate.

If a Body Corporate is appointed to act as your proxy then a representative of that Body Corporate must be appointed to act as its representative. When attending the meeting, the representative must bring a formal notice of appointment as per section 250D of the Corporations Act. Such notice must be signed as required by section 127 of the Corporations Act or the Body Corporate's Constitution.

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.

Note: If you wish to appoint a second proxy, you may copy this form but you must return both forms together.

VOTING ON BUSINESS OF MEETING

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 number of votes that the proxy may exercise by writing the 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.

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 lodged 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:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

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.

LODGEMENT OF VOTES

To be effective, a validly appointed proxy must be received by the Company **not less than 48 hours** prior to commencement of the Meeting.

Proxy appointments can be lodged by:

- a) **Hand Delivery** – to Pitcher Partners, Attention: Philip Girling, Level 1, 914 Hay Street, Perth WA, 6000; or
- b) **Post** - to Pitcher Partners, Attention: Philip Girling, P.O Box 7191, Cloisters Square, WA, 6850; or
- c) **Facsimile** - to Pitcher Partners, Attention: Philip Girling on (08) 9322 1262.

Proxy Forms received later than this time will be invalid