



ASX Announcement

18 January 2017

Lakes Oil Acquires 100% of NavGas Pty Ltd

Following its previous market releases of 3 and 6 October 2016, the Board of Directors of Dark Horse Resources Ltd (Dark Horse, the Company, ASX: DHR) is pleased to advise that ASX-listed Lakes Oil NL (LKO) has today settled on the scrip-based acquisition of the balance of NavGas Pty Ltd, following approval by Lakes Oil shareholders on 16 January 2017.

As a result, Dark Horse will receive 9,278,407,344 fully paid shares in Lakes Oil, which it will hold in addition to its existing interest in 40,000 LKO \$10 Converting Notes. Dark Horse will shortly prepare and lodge a notice of substantial holding with respect to its interest in Lakes Oil.

Lakes Oil has today announced its intention to expedite exploration activity within the NavGas package, particularly through drilling of the largest and most prospective of identified leads within ATP 1183 (Queensland).

- The Wellesley Prospect, a fault-bound, three-way dip closure located to the south of the productive Kincora gas field and covering about 4.4 km². A well will be drilled to around 1,650 metres depth to test the updip potential of the Boxville Sands, which exhibited elevated gas levels and very good porosity in the historic (1979) Wellesly-1 well that was drilled on the edge of structural closure and was untested.
- The Major East Lead, a four-way dip closure lying to the east of the existing Major gas field. A well of approximately 1,850 metres depth will be drilled to test the Showgrounds Sandstone, which is the productive formation in surrounding fields.

In addition to the above, Lakes Oil has announced that, subject to further technical review and funding, it is envisaged two historic (pre-NavGas) wells may be re-entered to target oil pay zones that were overlooked or not properly tested when the wells were drilled, owing to erroneous depth correlations between logging, drilling and testing activities.

Within NavGas' South Australian licence application areas, Lakes Oil intends to exploit the potential for oil production to the north of Wilkatana, in an area of closure associated with the Torrens Hinge Zone, and the potential for production of gas from the Tindelpina Shale, which has been demonstrated to contain gas, are of immediate interest. Neither of these prospects has been explored using modern techniques.



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About NavGas

NavGas was established by Dark Horse in 2012 as a separate oil and gas focussed company, founded on several petroleum licence applications made over a prospective province within South Australia. In 2014, NavGas was the successful tenderer for ATP 1183 on the Roma Shelf in Queensland. Further details are outlined below in brief.

Pirie Torrens Basin Oil & Gas Project – South Australia

The Pirie Torrens oil & gas project incorporates six (6) PELA's (Petroleum Exploration Licence Applications) covering approximately 53,000km² and is located in South Australia as outlined in **Figure 1**. The project was originally generated by the Company on the basis of its potential prospectivity for unconventional shale gas.

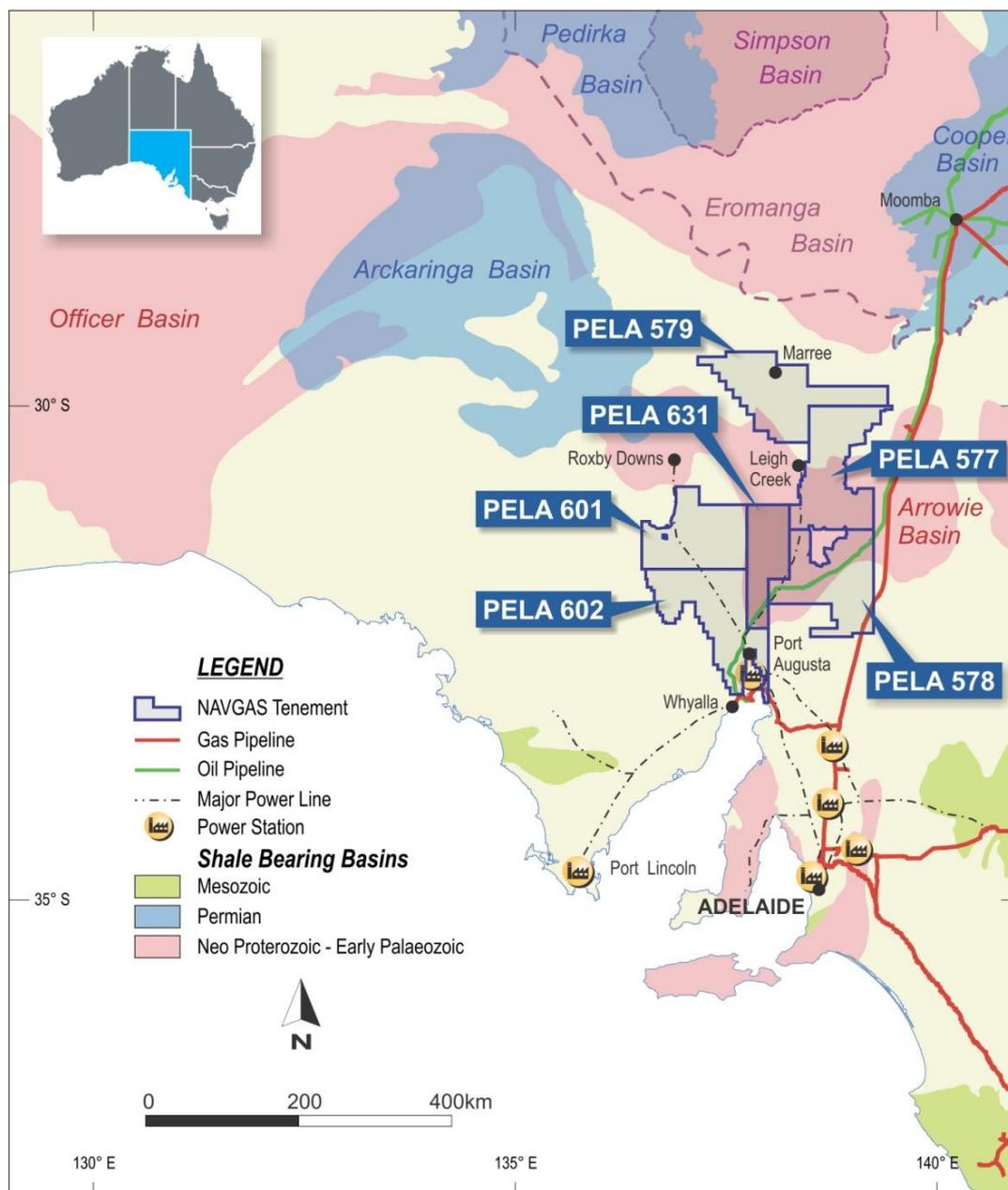


Figure 1: Pirie Torrens Project area in South Australia held by NavGas.

As part of NavGas' detailed review of historical data for the South Australian shale gas project applications, records of an area of historic oil shows extending over 70km² at Wilkatana (within PELA 631) have been revealed, and which may subsequently have remained unexplored for the past 50 years (refer **Figure 2**).

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

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

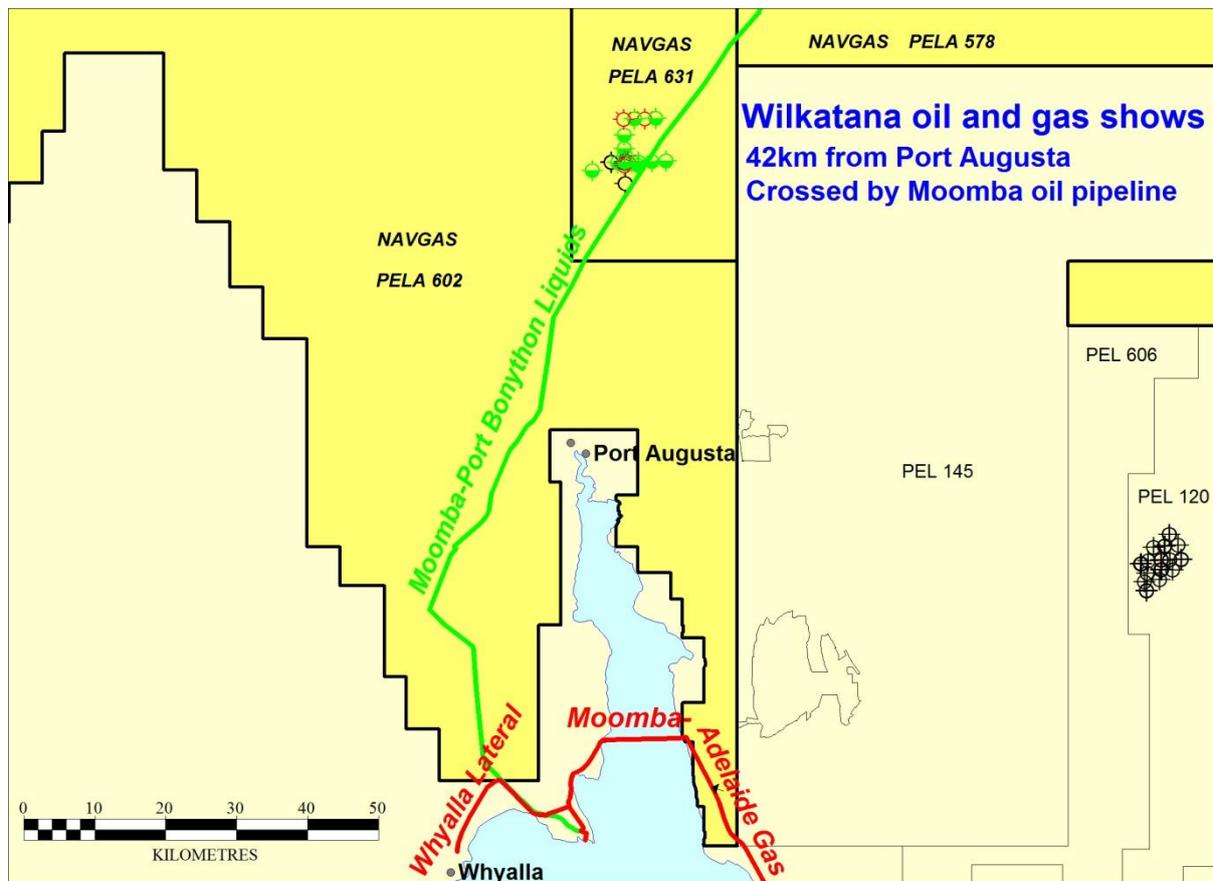


Figure 2: Location Map – Wilkatana oil field, South Australia.

The Pirie Torrens Basin project area is favourably located adjacent to gas pipeline infrastructure, and is positioned to take advantage of the expected current forecast increases in local demand for gas in the eastern and southern states of Australia in the next five (5) plus years, particularly given the current gas exploration bans imposed in the state of Victoria.

Roma Shelf Oil & Gas Project - Queensland

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

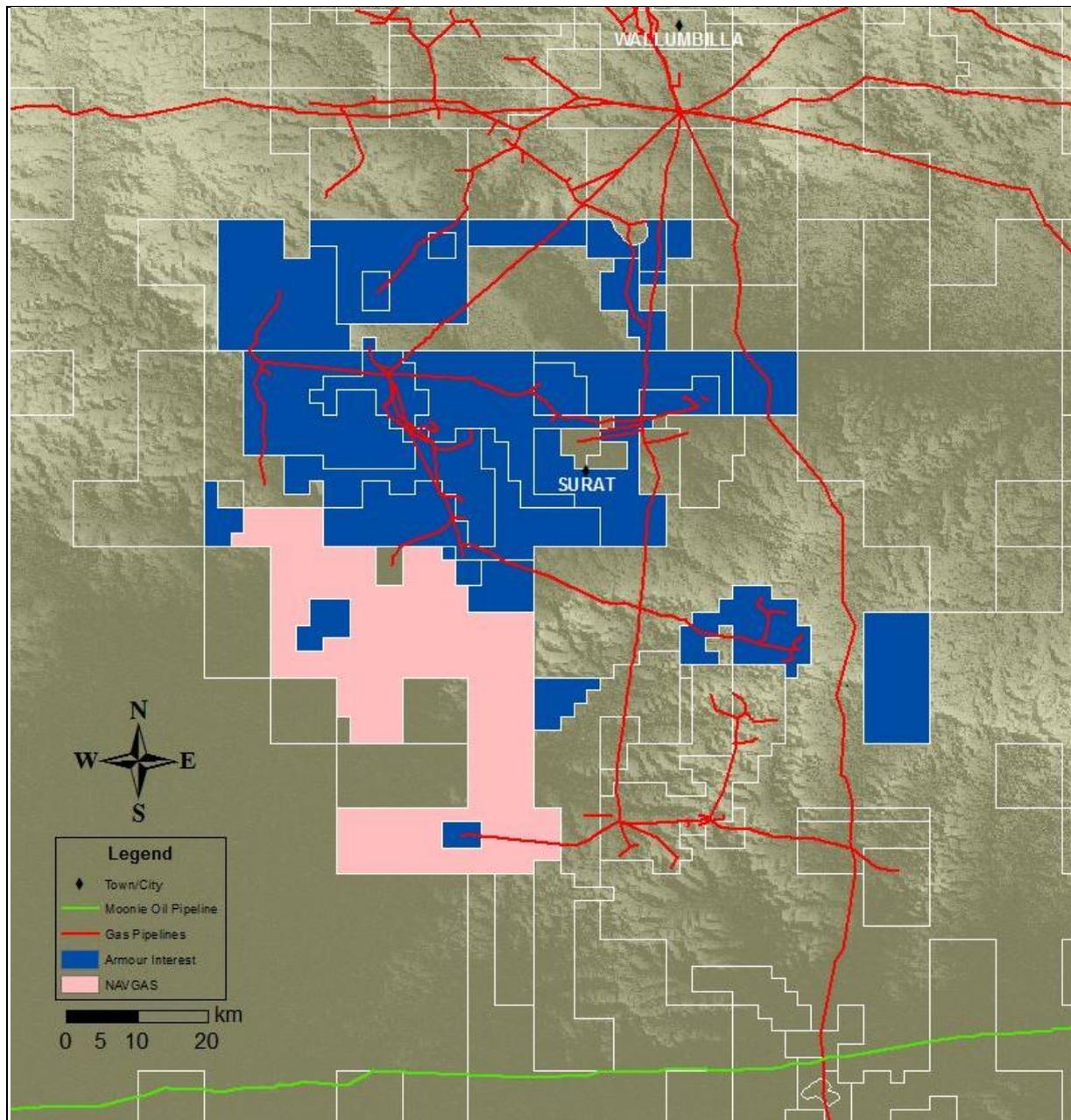


Figure 3: Location Map for the Roma Shelf Project (Surat Basin) showing Armour Energy's Kincora Project in blue, and NavGas' ATP 1183 in pink.

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

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

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

Now that the acquisition of NavGas has been completed, the Board of Directors of Dark Horse Resources will continue to keep the market apprised of developments in relation to its interest in Lakes Oil, and also the ongoing developments in relation to its Argentinean coal, gold and lithium project interests.



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About Dark Horse Resources:

Since listing on the Australian Stock Exchange in 2011, Dark Horse Resources (formerly Navaho Gold) has slowly evolved into a diversified exploration company, with diverse commodity interests including numerous mineral licences in Australia, a significant equity stake in ASX-listed Lakes Oil NL, and coal, gold and lithium project interests in Argentina.



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