LAKES OIL NL
ACN 004 247 214

Notice of Annual General Meeting

Explanatory Statement and Proxy Form

Date of Meeting:
16 January 2017

Time of Meeting:
10:00 AM (AEDST)

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

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

LAKES OIL NL

ACN 004 247 214
Registered office: Level 14, 500 Collins Street, Melbourne, Victoria, 3000

NOTICE OF ANNUAL GENERAL MEETING

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

AGENDA

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

Receipt and consideration of Accounts & Reports

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

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

Resolution 1: Adoption of Remuneration Report

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

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

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

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

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

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

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

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

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

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

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

Resolution 5: Approval to Issue Shares to Directors

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

Resolution 5(a)

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

Resolution 5(b)

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

Resolution 5(c)

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

Resolution 5(d)

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

Resolution 5(e)

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

Resolution 5(f)

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

Resolution 6: Approval of Proposed Issue of Shares to Directors

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

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

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

Resolution 7: Ratification of Prior Share Issue

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

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

Resolution 8: Ratification of Prior Grant of Options

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

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

Resolution 9: Increase in Aggregate Non-Executive Director Remuneration

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

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

Resolution 10: NavGas Acquisition and Share Issue

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

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

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

Resolution 11: Repeal and replacement of Constitution

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

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

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

Resolution 12: Approval of 10% Placement Facility

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

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

DATED this 13th day of December 2016 at Melbourne.

By order of the Board

Melanie Leydin
Company Secretary

Notes

1. **Entire Notice:** The details of the resolutions contained in the Explanatory Statement accompanying this Notice of Meeting should be read together with, and form part of, this Notice of Meeting.

2. **Record Date:** The Company has determined that for the purposes of the Annual General Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm on the date 48 hours before the date of the Annual General Meeting will be taken, for the purposes of the Meeting, to be held by the persons who held them at that time. Only those persons will be entitled to vote at the Annual General Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

3. **Proxies**

   a. Votes at the Annual General Meeting may be given personally or by proxy, attorney or representative.

   b. Each shareholder has a right to appoint one or two proxies.

   c. A proxy need not be a shareholder of the Company.

   d. If a shareholder is a company it must execute under its common seal or otherwise in accordance with it constitution.

   e. Where a shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.

   f. If a shareholder appoints two proxies, and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes. If a shareholder appoints two proxies, neither proxy may vote on a show of hands.

   g. A proxy must be signed by the shareholder or his or her attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with corporation's constitution and Corporations Act.

   h. To be effective, proxy forms must be received by the Company's share registry (Computershare Investor Services Pty Limited) no later than 48 hours before the commencement of the Annual General Meeting, this is no later than 10.00am (AEDST) Melbourne time on Saturday 14 January 2017. Any proxy received after that time will not be valid for the scheduled meeting.

4. **Corporate Representative**

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

5. **Voting Exclusion Statement:**

Resolution 1

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

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

Resolution 2

There are no voting exclusions on this resolution.

Resolution 3

There are no voting exclusions on this resolution.

Resolution 4

There are no voting exclusions on this resolution.

Resolution 5

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

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

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

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

Resolution 6

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

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

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

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

Resolution 7

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

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8

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

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

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

Resolution 9

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

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

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

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

Resolution 10

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

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 11

There are no voting exclusions on this resolution.

Resolution 12

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

6. Enquiries

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

EXPLANATORY STATEMENT

Receipt and consideration of Accounts & Reports

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

Resolution 1: Adoption of Remuneration Report

Background

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

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

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

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

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

Directors Recommendation

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

Voting Exclusions

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

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

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

Background

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

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

Directors Recommendation

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

Voting Exclusions

There are no voting exclusions on this resolution.

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

Background

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

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

Directors Recommendation

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

Voting Exclusions

There are no voting exclusions on this resolution.

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

Background

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

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

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

Directors Recommendation

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

Voting Exclusions

There are no voting exclusions on this resolution.

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

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

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

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

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

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

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

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

ASX Listing Rule 10.11

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

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

(a) the related parties are Mr Nicholas Mather, Mr Barney Berold, Mr William Stubbs, Mr Christopher Tonkin, Prof. Ian Plimer, and Mr Kyle Wightman and they are related parties by virtue of being Directors of the Company;

(b) the maximum number of Shares to be issued by the Company is 50,000,004 under Resolutions 5(a), 5(b), 5(c), 5(d), 5(e), and 5(f) comprising:

(i) 8,333,334 fully paid ordinary shares to Mr Nicholas Mather (or his nominee) - Resolution 5(a);

(ii) 8,333,334 fully paid ordinary shares to Mr Barney Berold (or his nominee) - Resolution 5(b);

(iii) 8,333,334 fully paid ordinary shares to Mr William Stubbs (or his nominee) - Resolution 5(c);

(iv) 8,333,334 fully paid ordinary shares to Mr Christopher Tonkin (or his nominee) - Resolution 5(d);

(v) 8,333,334 fully paid ordinary shares to Prof. Ian Plimer (or his nominee) - Resolution 5(e); and

(vi) 8,333,334 fully paid ordinary shares to Mr Kyle Wightman (or his nominee) - Resolution 5(f)

(c) the Shares will be issued not later than one month after the date of the AGM (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that the allotment will occur on the same date;

(d) the Shares will be issued as satisfaction for $50,004 in fees (which represents 50% of the reduced directors fee for the period 1 July 2016 to 31 December 2016) at a deemed issue price calculated using the higher of $0.001 (0.1 cents) or the monthly VWAP in arrears for each month in which the fees were accrued; and

(e) there will not be any funds raised through the issue of the shares, but the Company will reduce its liabilities by $50,004.

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

Resolution 6: Approval of Proposed Issue of Shares to Directors

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

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

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

ASX Listing Rule 10.11

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

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

(a) the related parties are Mr Barney Berold, Mr Nicholas Mather, Mr Kyle Wightman, Mr William Stubbs, Mr Christopher Tonkin and Prof. Ian Plimer and they are related parties by virtue of being Directors of the Company;

(b) the maximum number of Shares to be issued by the Company will be determined by dividing the monthly directors' fees payable by the monthly VWAP (subject to a floor price of $0.001 0.1 cents) per share) in arrears for each month from 1 January 2017 until 30 November 2017;

(c) the Company has requested an ASX waiver from the requirement that the Shares be issued within one month after the date of the AGM and, should the request be successful, allotment will occur on a monthly basis when the directors' fees become payable and within 10 business days of the end of each month;

(d) any fractions of Shares resulting from the calculation will be rounded down to the nearest whole number;

(e) the Shares will be issued as satisfaction for 50% of monthly directors fees of up to $91,667 for the period payable to Directors at a deemed issue price calculated as the monthly VWAP in arrears for each month from 1 January 2017 until 30 November 2017 (subject to a floor price of $0.001 (0.1 cents) per share);

(f) there will not be any funds raised through the issue of securities but the Company will be able to reduce its liabilities by up to $91,667 for the period from 1 January 2017 until 30 November 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors Recommendations

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

Voting Exclusions

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

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

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

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

Resolution 7: Ratification of Prior Share Issue

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

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

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

(a) the total number of fully paid ordinary shares in the Company that were issued is 70,166,666;

(b) the Shares were allotted and issued as follows:

i. Mr Roland Sleeman
54,166,666 fully paid ordinary shares
Issue price $0.001 (0.1 cents) per share

ii. Mr Theo Theophanous
16,000,000 fully paid ordinary shares
Issue price $0.002 (0.2 cents) per share

(c) the Shares allotted and issued rank equally with the existing Shares on issue;

(d) there were no funds raised from the issue of shares.

Board Recommendation

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

Voting Exclusions

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

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8: Ratification of prior issue of options

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

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

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

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

(a) the total number of unlisted options in the Company that were granted is 58,000,000;

(b) the unlisted options are exercisable at $0.005 (0.5 cents) on or before 8 January 2021 and pursuant to the terms as set out in Annexure B. Shares issued upon exercise of the options will rank equally with the existing Shares on issue;

(c) the unlisted options were allotted and issued to employees of the Company;

(d) the unlisted options were issued for a Nil consideration, and there were no funds raised from their grant however any funds raised upon exercise of the options will be applied to the working capital requirements of the Company at the time of exercise; and

(e) a voting exclusion statement is included in the Notice of Annual General Meeting of which this Explanatory Statement forms part and is set out again below.

Board Recommendation

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

Voting Exclusions

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

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

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

Resolution 9: Increase in Aggregate Non-Executive Director Remuneration

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

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

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

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

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

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

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

Board Recommendation

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

Voting Exclusions

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

(a) a Director or any associate of a Director; or

(b) a member of the Key Management Personnel or a Closely Related Party of such a member.

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

(a) it is cast by a person who is otherwise excluded from voting on this Resolution (as described in paragraph (a) or (b) above), as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the Chairman as proxy for a person who is entitled to vote and who does not specify the way the proxy is to vote.

Resolution 10: NavGas Acquisition and Share Issue

1. Background

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

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

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

2. Resolution

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

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

(a) Dark Horse Resources Limited as to 9,278,407,344 shares;

(b) Douglas Haynes as to 122,511,492 shares; and

(c) Peter Bubendorfer (Peter A J Bubendorfer Family A/C) as to 199,081,164 shares,

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

3. Shareholder Approval Requirements

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

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

4. Capital Structure

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

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

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

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

5. Voting Power

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

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

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

6. Identity of Dark Horse

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

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

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

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

7. NavGas Information

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

(a) South Australia Interests

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

Pirie Torrens Basin Oil and Gas Project – South Australia

The Pirie Torrens Oil and Gas Project incorporates six Petroleum Exploration Licence Applications (PELAs) located in South Australia and covering approximately 53,000km^2 as outlined in Figure 1. The project was originally generated by Navgas on the basis of its potential prospectivity for unconventional shale gas.

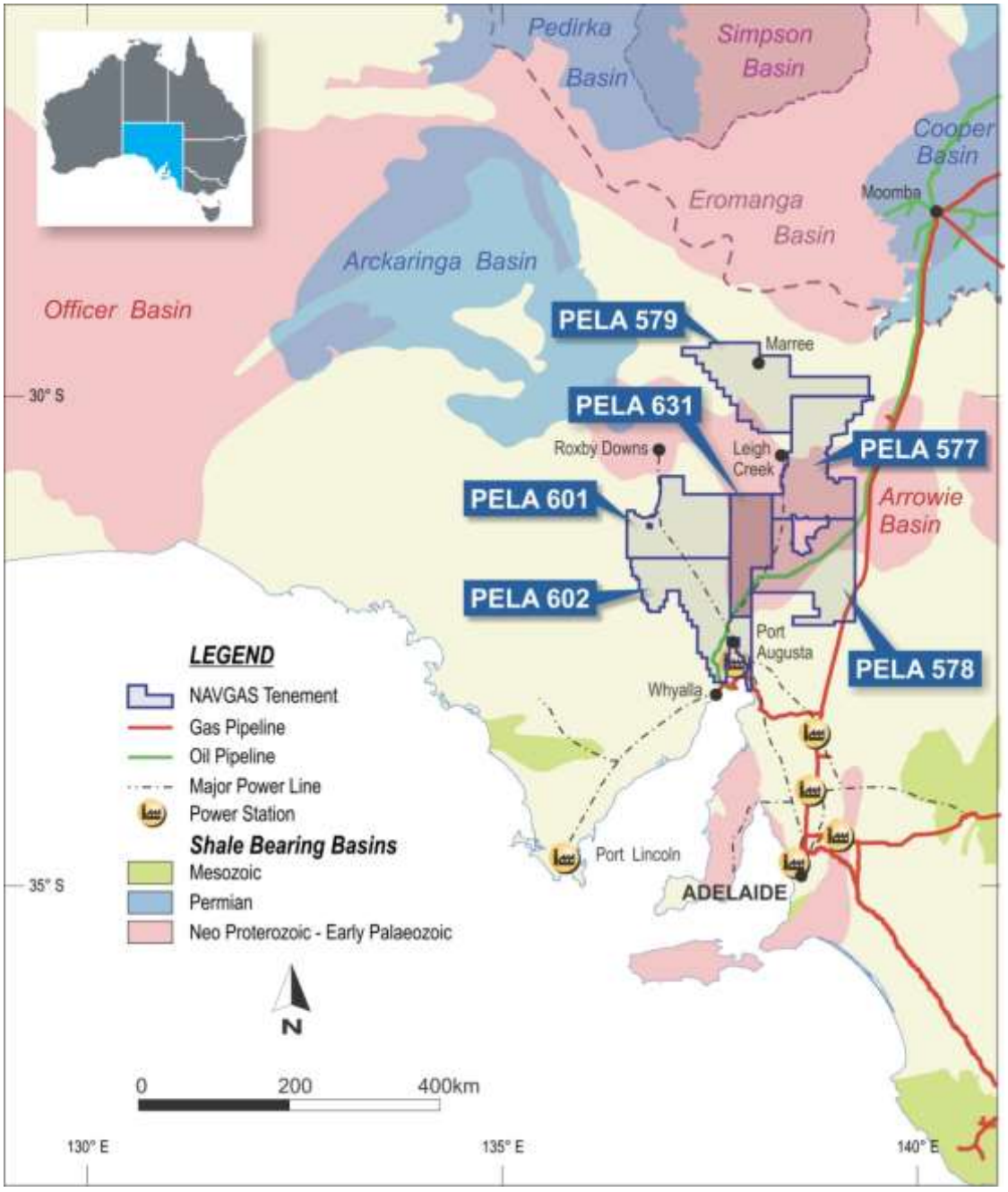

Figure 1: Pirie Torrens Project area in South Australia held by NavGas

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

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

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

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

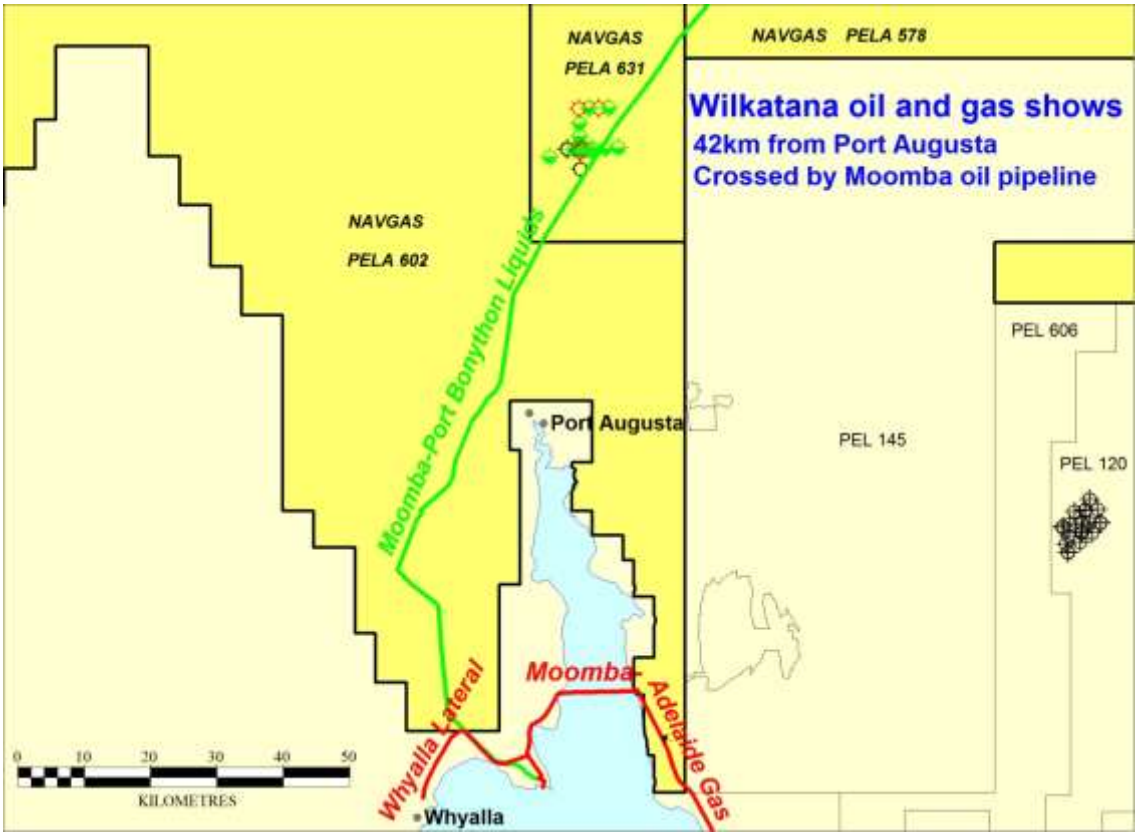

Figure 2: Location Map – Wilkatana oil field, South Australia

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

(b) Queensland Interests

Permit application	Applicant/Tenement holder	Interest %	Area km^2
ATP 1183	NAVGAS PTY LTD	100	992

Roma Shelf Oil and Gas Project - Queensland

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

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

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

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

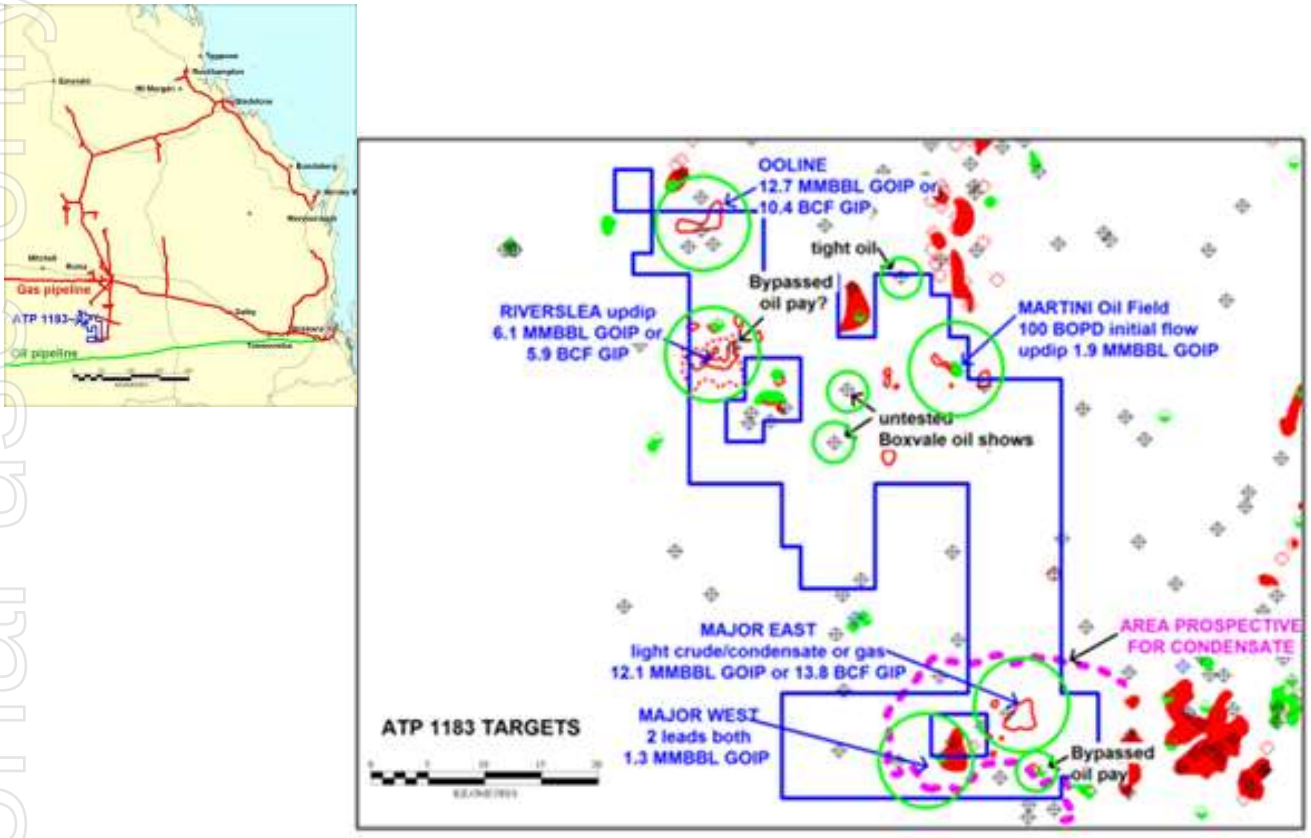

Figure 3: Location Map and Targets for the Roma Shelf project (ATP 1183)

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

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

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

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

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

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

8. Reasons for the Proposed Transaction

The reasons for the proposed transaction are as follows:

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

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

  - Pre-emptively refuse to consider or accept any application for approval to conduct petroleum exploration operations onshore in Victoria; and

  - Refuse to consider the Plaintiff's specific applications for approval to conduct petroleum exploration operations.

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

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

- The proposed transaction provides Lakes Oil an opportunity to acquire Queensland and South Australian acreage that has excellent potential for future production of gas, condensate and/or oil. It will also complement Lakes existing exploration acreage in Victoria and Queensland and will add promising acreage in South Australia. The proposed transaction provides Lakes Oil an opportunity to acquire Queensland and South Australian acreage that has excellent potential for future production of gas, condensate and/or oil. As outlined above, numerous exploration targets have already been independently identified within the Queensland acreage, while the South Australian acreage is known to contain oil in the Wilkatana prospect and gas in the massive Tindelpina shale formation.

- If shareholders approve the Proposed Transaction DHR will control 43.07% of LKO's voting power and DHR will have effective control over LKO.

- DGR has committed to provide a $1.5 million underwriting for a future rights issue of shares subject to the proposed transaction completing. DGR's business is involved with the creation of resource exploration development and mining companies. This may provide a level of market confidence and may also support the future exploration activities of LKO both operationally and financially. However, it should be appreciated that the DGR underwriting is subject to Lakes Oil and DGR also agreeing detailed terms for a capital raising by rights issue. Accordingly the DGR commitment is presently conditional and no assurance can be provided that all requisite conditions will be satisfied.

- LKO currently holds a 4% minority interest in Navgas. If the Proposed Transaction is not approved, LKO will continue to hold a minority interest in Navgas without any control over the exploration activities of its assets and may not be able to readily dispose of this asset.

- If the Proposed Transaction is not approved, LKO may find it difficult to raise additional funds to support its future operations.

9. Final Transaction Documentation

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

10. Final Transaction Documentation

Key terms of the Share Purchase Agreement are as follows:

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

- Completion of the Transaction is conditional upon the satisfaction (or waiver, to the extent permitted by law) of the following conditions precedent:

  (a) Lakes Oil obtaining all necessary regulatory and shareholder approvals required at law, pursuant to the ASX Listing Rules or pursuant to item 7 of s 611 Corporations Act , including obtaining an independent expert's report in relation to the Transaction, reporting on the fairness and reasonableness of the Transaction;

  (b) Navgas having no debt when it is acquired by the Company;

  (c) the Purchaser being satisfied (acting reasonably) that no Material Adverse Change in respect of Navgas has occurred between the Execution Date and Completion occurring; and

  (d) the vendors being satisfied (acting reasonably) that no Material Adverse Change in respect of Lakes Oil has occurred between the Execution Date and Completion occurring;

- Warranties by Vendors – the Vendors have provided reasonable, customary and balanced warranties and indemnities reasonably requested by the including, without limitation, as to matters of title, encumbrances, liabilities and creditors, exemptions from disclosure, assets, intellectual property rights and litigation/claims. Customary limitations apply to warranties and indemnities provided by the Vendors, including without limitation, a de minimis amount per claim, a threshold below which claims cannot be brought, a maximum aggregate liability for all claims, disclosures against the warranties, no double recoveries, and recoveries against insurers and third parties prior to recovery against the Vendor .

- Warranties by Company – the Company has provided reasonable, customary and balanced warranties and indemnities reasonably requested by the Vendors. Customary limitations apply to warranties and indemnities provided by the Company, including without limitation, a de minimis amount per claim, a threshold below which claims cannot be brought, a maximum aggregate liability for all claims, disclosures against the warranties, no double recoveries, and recoveries against insurers and third parties prior to recovery against the Purchaser .

- Completion of the transaction is to take place within 5 Business Days after the Company secures the approval of Shareholders for the transaction.

11. Proposed Capital Raising

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

- The Company will issue a prospectus for the capital raising in accordance with section 713 of the Corporations Act. Among other things the prospectus will contain all information that investors will require to make an informed assessment of the offer and its effect on the Company.

- The Company has a conditional arrangement in place with DGR Global Limited for the proposed capital raising to be underwritten in the amount of $1.5 million. However, it should be appreciated that the DGR underwriting is subject to Lakes Oil and DGR agreeing the terms of the capital raising. The DGR underwriting is also conditional on the conditions for their transaction being satisfied. Accordingly the DGR commitment is conditional and no assurance can be provided that these conditions will be satisfied.

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

12. Independent Expert Report

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

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

The principal reasons for reaching the opinion are as follows:

Fairness

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

Reasonableness

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

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

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

13. Risk Factors

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

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

- Funding - the Company is in a tight financial position and will be dependent on a successful capital raising as described above in order to fund the expected NavGas expenditure moving forward as well as ongoing corporate costs and litigation costs relating to the Victorian Government ban on onshore oil and gas exploration. In relation to NavGas, approximately $0.5 - 1million is expected to be required to cover its anticipated needs for the 12 months ending 31 December 2017. Prior to completion of the acquisition, the parties intend that any loans or creditors of NavGas to Dark Horse or third parties will be written off or satisfied by Dark Horse. If the acquisition of NavGas consummates, but the capital raising (which is to occur subsequently) does not complete satisfactorily then the financial position of Lakes Oil will be at risk.

- Warranty enforcement - Dark Horse has limited cash resources. If a warranty issue arises under the Share Purchase Agreement, it will be difficult to obtain cash compensation from Dark Horse without Dark Horse needing to sell its shareholding in the Company.

- Other - The South Australian acreage is by way of Petroleum Exploration Licence Applications. Lakes Oil's ability to proceed with exploration and, if exploration is successful, petroleum production activities is dependent upon Native Title arrangements being agreed.

14. Dark Horse Intentions

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

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

15. Disclosure of Interests

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

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

16. Voting Exclusions

Each of Dark Horse Resources Limited, Doug Haynes, Peter Bubendorfer, and DGR Global Limited and their respective associates are excluded from voting on the resolution and any votes cast by or on their behalf will not be taken into account. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

17. ASX Listing Rule Additional Disclosures

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

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

18. Directors Recommendation

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

Resolution 11: Repeal and replacement of Constitution

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

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

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

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

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

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

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

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

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

Board Recommendation

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

Voting Exclusions

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

Resolution 12: Approval of 10% Placement Facility

Background

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

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

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

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

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

Directors Recommendations

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

Voting Exclusions

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

Description of Listing Rule 7.1A

(a) Shareholder approval

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

(b) Equity Securities

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

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

(c) Formula for calculating 10% Placement Facility

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

(A x D)–E

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

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

(B) plus the number of partly paid shares that became fully paid in the 12 months;

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

(D) less the number of fully paid shares cancelled in the 12 months.

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

D is 10%

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

(d) Listing Rule 7.1 and Listing Rule 7.1A

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

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

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

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

(e) Minimum Issue Price

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

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

(f) 10% Placement Period

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

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

(**10% Placement Period**).

Listing Rule 7.1A

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

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

Specific information required by Listing Rule 7.3A

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

(a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) If Resolution 12 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. Shareholders may be exposed to economic risk and voting dilution, including the following:

(i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and

(ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

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

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

The table also shows:

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

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

The table has been prepared on the following assumptions:

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

- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- The issue price is **$0.001** (0.1 cents), being the closing price of the Shares on ASX on **8 December 2016**.

(c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 12 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).

(d) The Company may seek to issue the Equity Securities for the following purposes:

(i) non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or

(ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition) and continued exploration expenditure on the Company's current assets and/or general working capital.

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

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

(i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
(ii) the effect of the issue of the Equity Securities on the control of the Company;
(iii) the financial situation and solvency of the Company; and
(iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

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

(f) A voting exclusion statement is included in the Notice. At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

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

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

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

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

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

Voting Exclusions

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

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

GLOSSARY

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

"**$**" means Australian Dollars;

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

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

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

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

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

"**Auditor's Report**" means the auditor's report on the Financial Report;

"**AEDST**" means Australian Eastern Daylight Standard Time.

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

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

"**CHESS**" has the meaning in Section 2 of the ASX Settlement Operating Rules**;**

"**Closely Related Party**" means:

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

"**Company**" means Lakes Oil NL ACN 004 247 214;

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

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

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Director**" means a Director of the Company;

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

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

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

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

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

"**Listing Rules**" means the Listing Rules of the ASX;

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

"**Notice**" means the Notice of Meeting accompanying this Explanatory Statement;

"**Proxy Form**" means the proxy form attached to the Notice;

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

"**Resolution**" means a resolution referred to in the Notice;

"**Schedule**" means schedule to the Notice;

"**Section**" means a section of the Explanatory Memorandum;

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

"**Shareholder**" means shareholder of the Company;

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

"**VWAP**" means volume weighted average price.

Annexure A

CASH ISSUES

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

NON-CASH ISSUES

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

Glossary

FPO	*Fully Paid Ordinary Shares*
LKOAA	*LKOAA Unlisted Options – exercisable at $0.005 (0.5 cents) on or before 8 January 2021*
LKOGB	*LKOGB Listed Unsecured Converting Notes*

ANNEXURE B

TERMS AND CONDITIONS OF OPTIONS

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

1. Subject to paragraphs 2 and 3, each option is exercisable at any time after the date of issue until its expiry on 8 January 2021, and any options not exercised by then will automatically lapse.

2. If:

a) the holder ceases to be an officer or employee of the Company for any reason whatsoever except by reason of death or summary dismissal, the options which the holder is entitled to exercise at that time are exercisable within 60 days and any options not exercised during that period shall lapse;

b) the holder ceases to be an officer or employee of the Company by reason of death, the options which the holder is entitled to exercise at that time are exercisable within 12 months by the legal personal representative of the holder and any options not exercised during that period shall lapse;

c) the holder ceases to be an officer or employee of the Company by reason summary dismissal the options which the holder is entitled to exercise at that time shall lapse immediately;

d) a takeover bid within the meaning of the Corporations Act is made for the Company and the bidder becomes entitled to become the registered holder of at least 90% of the ordinary shares during the bid period, the options which the holder is entitled to exercise at that time are exercisable by the end of the bid period and any options not exercised by that date shall lapse and;

e) shareholders pass a resolution by the requisite majorities approving a scheme of arrangement as ordered by a court which has the effect that a person will become registered as the holder of more than 50% of the ordinary shares, the options which the holder is entitled to exercise at that time are exercisable within 5 days and any options not exercised by that date shall lapse.

3. The options may be exercised for part or all of the options giving a notice in writing, provided that if the options are exercised in part them may only be exercised in multiples of at least, 1,000.

4. The exercise price for each option payable on exercise is 0.5 cents.

5. On receipt by the Company of the notice of exercise and payment of the exercise price, the Company must within 10 business days allot to the holder 1 ordinary share in respect of each option exercised and dispatch the relevant acknowledgment of issue as soon as is reasonably practicable and shall apply for the share to be listed on the ASX.

6. Shares offered on the exercise of options will rank equally in all respects with the then issued ordinary fully paid shares in the capital of the Company and will be subject to the provisions of the Constitution of the Company.

7. In the event of a bonus issue of shares by the Company, the exercise price for each option will be adjusted in accordance with the ASX Listing Rules, but there will be no adjustment in the event of a pro-rata issue of shares by the Company.

8. If any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company occurs before the expiry of the options, the number of options to which the holder is entitled or the exercise price or both must be reorganized in accordance with the ASX Listing Rules applying to a reorganisation at the time of the reorganization.

9. An option does not confer the right to participate in issues of capital offered to holders of shares during the currency of the options without exercising the options. However, the Company will ensure for the purposes of determining entitlements to any such issue that the books closing date will be set in accordance with the relevant timetable of the ASX Listing Rules which will give the holder the opportunity to exercise the options prior to the date for determining entitlements to participate in any such new issue.

10. The options will not be listed on the ASX and may not be assigned or transferred.

11. The options do not provide any entitlement to dividends.

12. The options do not entitle the holder to vote at any meeting of shareholders.

DMR CORPORATE

PKF

9 December 2016

The Directors
Lakes Oil NL
Level 14, 500 Collins Street
MELBOURNE VIC 3000

Dear Directors

Re: Independent Expert's Report

1. Introduction

The directors of Lakes Oil NL ("LKO" or "the Company") have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report in respect of the proposed acquisition of Navgas Pty Ltd ("Navgas"). Section 611 of the Corporations Act 2001 ("the Act") permits the transaction, which is set out in section 2 below, provided shareholders approve it.

Navgas is a subsidiary of Dark Horse Resources Limited ("DHR"), which holds 92.78% of Navgas' issued shares. Two individuals hold a combined 3.22% interest in Navgas, with the Company holding the remaining 4%, which was acquired on 3 October 2016.

Navgas was established by DHR in 2012 as a separate oil and gas focused company, founded on several petroleum licence applications made over a prospective province within South Australia. In 2014, Navgas was the successful tenderer for highly prospective oil, gas and condensate targets on the Roma Shelf in Queensland.

2. The Proposed Transaction

LKO has entered into an Agreement for Sale of Shares ("the agreement") to purchase all of the remaining issued capital of Navgas totalling 78,360,000 shares from DHR (75,735,000 shares), Mr Douglas William Haynes (1,000,000 shares) and Mr Peter Bubendorfer (1,625,000 shares) (the "sellers"), subject among other things to LKO shareholders' approval.

The consideration payable by LKO to the sellers is to be satisfied by the issue of 9,600,000,000 fully paid LKO ordinary shares ("the Proposed Transaction").

LKO intends to seek shareholder approval of the Proposed Transaction at the Annual General Meeting ("AGM") to be held on or about 13 January 2017. The formal approval process for the Proposed Transaction is set out in the Notice of Annual General Meeting as follows:

Resolution 10: That for the purpose of Section 611 Item 7 of the Corporations Act, ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 9,600,000,000 shares to:

(a) Dark Horse Resources Limited as to 9,278,407,344 shares;

(b) Douglas Haynes as to 122,511,492 shares; and

(c) Peter Bubendorfer (Peter A J Bubendorfer Family A/C) as to 199,081,164 shares,

DMR Corporate Pty Ltd
ACN 063 564 045
AFSL No. 222050

Melbourne
Level 12, 440 Collins Street
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on the basis set out in the Explanatory Memorandum, and as a consequence of which Dark Horse Resources Limited will have a 43.11% shareholding interest in the Company (having regard to the current number of shares on issue and excluding any impact of converting notes).

The directors have requested DMR Corporate to prepare an independent expert's report in accordance with ASIC Regulatory Guide 111 – Content of expert reports. ASIC Regulatory Guide 111 requires the Independent Expert to advise shareholders whether the Proposed Transaction is fair and reasonable, when considered in the context of the interests of the Non-Associated Shareholders (all shareholders entitled to vote on the Proposed Transaction).

3. Summary opinions

In our opinion, the Proposed Transaction is **fair and reasonable**. Our principal reasons for reaching this opinion are:

Fairness

a) in section 7.10 we valued the LKO shares before the Proposed Transaction in a range of $0.0005 to $0.0006 per share on a control basis;

b) in section 11.1 we valued the LKO shares after the Proposed Transaction in the range of $0.0005 to $0.0006 per share on a minority basis; and

c) as the minority value of a LKO share after the Proposed Transaction ($0.0005 to $0.0006) is equal to the control value of a LKO share before the Proposed Transaction ($0.0005 to $0.0006), we have concluded that the Proposed Transaction is **fair**.

Reasonableness

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

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

4. Structure of this report

The remainder of this report is divided into the following sections:

5. Purpose of the report

This report has been prepared to meet the following regulatory requirements:

- **Corporations Act 2001**

  Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if, as a result of the acquisition, any person increases his or her voting power in the company:

  (a) from 20% or below to more than 20%; or

  (b) from a starting point that is above 20% and below 90%.

  Section 611 of the Act contains an exception to the Section 606 prohibition. For an acquisition of shares to fall within the exception, the acquisition must be approved in advance by a resolution passed at a general meeting of the company in which shares will be acquired.

  LKO is seeking shareholder approval for the Proposed Transaction under Section 611 of the Act, as the voting power of DHR will increase beyond the 20% limit imposed by Section 606 of the Act.

  In preparing an Independent Expert Report ("IER") for the purposes of a Section 611 approval, we are required to comply with ASIC Regulatory Guides and in particular with Regulatory Guide RG 111 ("RG 111"), and the relevant paragraphs are set out below.

- **ASIC Regulatory Guides**

  RG 111.24 An issue of shares by a company otherwise prohibited under s606 may be approved under item 7 of s611 and the effect on the company's shareholding is comparable to a takeover bid. Examples of such issues approved under item 7 of s611 that are comparable to takeover bids under Ch 6 include:

(a) a company issues securities to the vendor of another entity or to the vendor of a business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged businesses. The vendor could have achieved the same or a similar outcome by launching a scrip takeover for the company.

RG111.27 There may be circumstances in which the allottee will acquire 20% or more of the voting power of the securities in the company following the allotment or increase an existing holding of 20% or more, but does not obtain a practical measure of control or increase its practical control over that company. If the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is 'reasonable' if it has assessed the issue price as being 'not fair' applying the test in RG 111.11.

RG111.10 It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in s640 established two distinct criteria for an expert analysing a control transaction:

(a) is the offer 'fair'; and

(b) is it 'reasonable'?

That is, 'fair and reasonable' is not regarded as a compound phrase.

RG111.11 Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer[1]. This comparison should be made:

(a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and

(b) assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.

RG111.12 An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

ASIC Regulatory Guide 111 requires that the Proposed Transaction be assessed as if it was a takeover of LKO. In assessing a takeover bid, Regulatory Guide 111 states that the expert should consider whether the Proposed Transaction is both "fair" and "reasonable".

[1] In an ASIC Corporate Finance Liaison presentation in May 2013, ASIC has expressed the view that transactions pursuant to item 7 of Section 611 should be assessed by "comparing the fair market value of the company's shares pre-transaction on a control basis, with the fair market value of the company's shares post-transaction on a minority basis."

- **General**

The terms "fair" and "reasonable" are not defined in the Act, however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness	-	the Proposed Transaction is "fair" if the value of the minority shares held by the Non-Associated Shareholders in LKO after the Proposed Transaction is equal to or greater than the control value of their shares in LKO before the Proposed Transaction.
Reasonableness	-	the Proposed Transaction is "reasonable" if it is fair. It may also be "reasonable" if, despite not being "fair" but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as follows:

(i) In determining whether the Proposed Transaction is fair, we have:

- assessed the value of LKO before the Proposed Transaction and determined the control value of one LKO share;
- assessed the value of LKO after the Proposed Transaction and determined the minority value of one LKO share; and
- compared the control value of one LKO share before the Proposed Transaction with the minority value of one LKO share after the Proposed Transaction.

(ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors that Non-Associated Shareholders should review and consider prior to accepting or rejecting the Proposed Transaction.

6. LKO - key information

6.1 Background

LKO was formed in 1946 and is based in Melbourne, Victoria. LKO is the oldest Australian oil and gas explorer still operating in Australia.

Following geo-physical survey work in the Lakes Entrance area of Victoria and in the context of excitement around the 1953 discovery of oil in Western Australia, LKO listed on the ASX on 19 April 1955. After unsuccessful exploration and funds exhausted, LKO was taken over in 1959 by Woodside (Lakes Entrace) Oil NL and subsequently its shares were delisted.

On 5 December 1985, Mr Rob Annells acquired the corporate shell and LKO was relisted on the ASX.

In December 2011, LKO announced an agreement with Armour Energy Limited ("Armour") which saw Armour subscribing for 900 million shares in LKO at 0.25 cents per share, raising $2.25 million. As at 10 October 2016, Armour held 2,125 million shares in LKO representing 17.82% of total shares on issue.

LKO currently controls highly prospective petroleum acreage in the onshore Victorian Gippsland and Otway Basins, however, following the Victorian Government's ban on onshore exploration announced on 30 August 2016, LKO is precluded from conducting exploration activities on these exploration permits. LKO's interests in onshore Victorian exploration permits is set out below.

Table 1

Victorian onshore acreage **Exploration permits**	**LKO interest**
Petroleum Retention Lease 2	100% interest (excl Trifon & Gangell blocks) 57.5% interest in Trifon & Gangell blocks w ith Jarden Corporate Australia Pty Ltd holding the remaining 42.5% interest Armour Energy Limited ("Armour") holds an option to acquire an interest in PRL2
Petroleum Retention Lease 3	100% interest
Petroleum Exploration Permit 166	75% interest w ith Armour holding the remaining 25%
Petroleum Exploration Permit 169	49% interest w ith Armour holding the remaining 51%
Petroleum Exploration Permit 163	100% interest
Petroleum Exploration Permit 167	100% interest
Petroleum Exploration Permit 175	100% interest

Source: LKO Annual Report – 30 June 2016

LKO also currently holds petroleum acreage other than which is onshore Victorian based. LKO's interest in these permits is set out below.

Table 2

Non-Victorian onshore acreage **Exploration permits**	**LKO interest**
Petroleum Exploration Permit VIC/P43(V)	100% interest
Petroleum Exploration Permit VIC/P44(V)	100% interest
Queensland Petroleum Exploration Permit ATP 642P	100% interest
Queensland Petroleum Exploration Permit ATP 662P	100% interest
Eagle Prospect, Onshore California, USA	17.97% interest

Source: LKO Annual Report – 30 June 2016

Although offshore exploration activity in Victorian is not prohibited, in the interest of cost management, LKO envisages carrying out seismic work only in 2017/18 in relation to its offshore Victorian based petroleum exploration permits. LKO's Queensland based petroleum exploration permit areas are relatively underexplored and the company is seeking a joint venture partner to pursue these opportunities.

The Eagle Prospect successfully produced oil until a mechanical problem led to a loss of production. Drilling of a further well has been proposed and LKO is reviewing its ongoing interest and involvement in the Eagle Prospect.

6.2 Directors

LKO's Board of Directors at the date of this report comprises:

Table 3

LKO Board of Directors	
Name	**Position**
Chris Tonkin	Non-Executive Chairman
Barney Berold	Non-Executive Director
Nicholas Mathew	Non-Executive Director
Ian Plimer	Non-Executive Director
William Stubbs	Non-Executive Director
Kyle Wightman	Non-Executive Director

Source: LKO Annual Report – 30 June 2016

6.3 Summary of outstanding debt and borrowings as at 30 June 2016

As at 30 June 2016, LKO's borrowings were:

Table 4

Summary of LKO borrowings	Amount AUD $	Repayment date
Current liabilities		
Converting notes - interest payable	216,360	< 6 months
Mortgage[1]	1,000,000	04-Apr-15
Total borrowings	1,216,360	

Source: LKO Annual Report – 30 June 2016

Note 1: drawdown by a fully owned subsidiary of LKO secured by a mortgage over land and guaranteed by LKO

On 30 June 2016, LKO announced that it would undertake a non-renounceable rights issue of listed converting notes at an issue price of $10 per note. The terms of these notes include a maturity date of 31 May 2018, with an ability to convert earlier at any of the prior interest payment dates of 30 November 2016, 31 May 2017 and 30 November 2017.

On 16 September 2016, LKO completed the non-renounceable rights issue issuing 53,666 converting notes at $10 each. However, following redemptions of 9,367 notes and an issue of a further 58,000 notes on 3 October 2016, of which 40,000 notes were issued to DHR, the final number of notes issued was 102,299. This was substantially less than the maximum notes to be issued of 710,000. LKO have attributed the undersubscription of the notes to the Victorian Government's adverse decision regarding onshore gas exploration in Victoria.

6.4 Share capital and conversion of notes

6.4.1 Share capital

As at 10 October 2016, LKO had on issue 11,921,964,705 fully paid ordinary shares. The major shareholders of LKO on 10 October 2016 are presented in the following table. As at that date, the top 10 shareholders, as recorded on the share register, held 40.49% of the issued ordinary capital of LKO.

Table 5

Shareholder name - per share register	Number of shares held	Percentage interest
Timeview Enterprises Pty Ltd	2,380,000,000	19.96%
Armour Energy Ltd	2,125,000,000	17.82%
Mr Roland Kingsbury Sleeman	54,166,666	0.45%
Mr Albert Edwards Bennetts	50,000,000	0.42%
JBWere (NZ) Nominees Limited (43941 A/C)	37,735,901	0.32%
Mr David Corley	37,506,000	0.31%
PBL Investments Pty Ltd (Peter Begg Lawrence S/F A/C)	37,158,103	0.31%
Mr Peter John Bellgrove (Peter Bellgrove Fam S/F A/C)	35,778,859	0.30%
Mr Stephen Kasa	35,000,000	0.29%
Dunluce Superfund Pty Limited (Dunluce Private S/F A/C)	34,453,056	0.29%
	4,826,798,585	40.49%

Source: LKO

6.4.2 Converting Notes

According to LKO's ASX announcement on 17 October 2016, LKO has listed unsecured converting notes of 343,977 listed on the ASX as LKOGA and 102,299 listed on the ASX as LKOGB.

The terms of the LKOGA converting notes include a maturity date of 31 March 2017, each converting into 5,000 LKO ordinary shares. However, if the 30 day average closing share price prior to the maturity date is less than 0.2 cents, each note will convert into a maximum of 6,667 LKO ordinary shares, only if the conversion occurs on the maturity date.

The terms of the LKOGB converting notes include a maturity date of 31 May 2018, each converting into 9,091 LKO ordinary shares. However, if the 30 day average closing share price prior to the maturity date is less than 0.11 cents, each note will convert into a maximum of 10,000 LKO ordinary shares, only if the conversion occurs on the maturity date.

On conversion, the converting notes will result in the issue of up to an additional 3,316,284,659 LKO ordinary shares. The dilution effect of these converting notes has not been taken into account in the balance of this report.

6.5 Statements of financial position

LKO's audited consolidated statements of financial position as at 30 June 2015 and 2016 are as follows:

Table 6

Lakes Oil NL Statement of financial position	Audited 30/06/2015 $	Audited 30/06/2016 $
Assets		
Current assets		
Cash and cash equivalents	2,685,532	761,818
Trade and other receivables	78,086	86,249
Financial assets at fair value through profit or loss	1,103,335	924,044
Other financial assets	868,105	385,302
Other current assets	37,636	38,680
Total current assets	4,772,694	2,196,093
Non-current assets		
Property plant and equipment	1,903,982	1,864,335
Exploration and evaluation	52,118,429	5,172,635
Total non-current assets	54,022,411	7,036,970
Total assets	58,795,105	9,233,063
Liabilities		
Current liabilities		
Trade and other payables	548,079	683,601
Converting notes	374,432	216,360
Borrowings	1,000,000	1,000,000
Provisions	224,061	202,535
Total current liabilities	2,146,572	2,102,496
Non-current liabilities		
Borrowings	312,028	-
Provisions	326,239	308,461
Total non-current liabilities	638,267	308,461
Total liabilities	2,784,839	2,410,957
Net assets	56,010,266	6,822,106
Equity		
Share capital - ordinary shares and converting notes	110,672,272	111,015,298
Reserves	-	57,420
Accumulated losses	(54,662,006)	(104,250,612)
Total equity	56,010,266	6,822,106

Source: LKO Annual Report – 30 June 2016

6.6 Operating performance

LKO's audited consolidated statements of comprehensive income for the financial years ended 30 June 2015 and 2016 are as follows:

Table 7

Lakes Oil NL Statement of profit or loss and other comprehensive income	Audited 2015 $	Audited 2016 $
Revenue		
Interest income	30,197	28,382
Other income	21,250	141,032
Fair value gains on financial assets through profit or loss	275,833	-
Research and development tax concession	-	1,035,393
	327,280	1,204,807
Expenses		
Employee benefits expense	(1,179,749)	(1,546,094)
Share based payments	-	(127,587)
Depreciation expenses	(59,960)	(39,647)
Impairment loss on exploration and evaluation assets	(10,474)	(47,357,247)
Accounting and audit expenses	(85,974)	(62,295)
Administrative expenses	(969,131)	(865,243)
Consulting expenses	(215,298)	(214,597)
Finance costs	(98,680)	(62,496)
Marketing and promotion expenses	(244,626)	(139,604)
Fair value losses on financial assets through profit or loss	-	(179,291)
Rent and occupancy expenses	(206,754)	(199,311)
Loss before income tax expense	(2,743,366)	(49,588,605)
Income tax expense	-	-
Loss after income tax expense for the year attributable to the owners of Lakes Oil NL	(2,743,366)	(49,588,605)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year attributable to the owners of Lakes Oil NL	(2,743,366)	(49,588,605)

Source: LKO Annual Report – 30 June 2016

6.7 Cash flow statements

LKO's audited consolidated statement of cash flows for the financial years ended 30 June 2015 and 2016 are as follows:

Table 8

Lakes Oil NL Statement of cash flows	Audited 2015 $	Audited 2016 $
Cash flows from operating activities		
Receipts	21,238	21,250
Payments to suppliers and employees	(2,776,831)	(2,812,457)
Payments for exploration and evaluation costs	(531,981)	(411,453)
Receipts from joint operation partners towards exploration and evaluation costs	98,153	-
Interest received	29,885	28,380
Finance costs	(68,156)	(62,496)
Research and development tax concession refund	-	1,035,393
Net cash used in operating activities	(3,227,692)	(2,201,383)
Cash flows from investing activities		
Purchase of trustee investments	(843,850)	-
Purchase of exploration permits	(1,486,386)	-
Proceeds from trustee investment	205,892	95,669
Net cash from/(used in) investing activities	(2,124,344)	95,669
Cash flows from financing activities		
Proceeds from issue of shares	28,500	182,000
Proceeds from issue of converting notes	4,222,090	-
Converting note interest paid	(110,185)	-
Payment of note issue costs	(156,850)	-
Proceeds from borrowings	1,000,000	1,000,000
Repayment of borrowings	-	(1,000,000)
Net cash from financing activities	4,983,555	182,000
Net decrease in cash and cash equivalents	(368,481)	(1,923,714)
Cash and cash equivalents at the beginning of the financial year	3,054,013	2,685,532
Cash and cash equivalents at the end of the financial year	2,685,532	761,818

Source: LKO Annual Report – 30 June 2016

7. Valuation of LKO before the Proposed Transaction

7.1 Value definition

DMR Corporate's valuation of LKO has been made on the basis of 'fair market value', defined as:

'the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length'.

7.2 Valuation methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- capitalisation of future maintainable earnings;
- net present value of future cash flows;
- asset based methods;
- comparable market transactions; and
- alternate acquirer.

7.3 Share price history

7.3.1 *The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of the Proposed Transaction.*

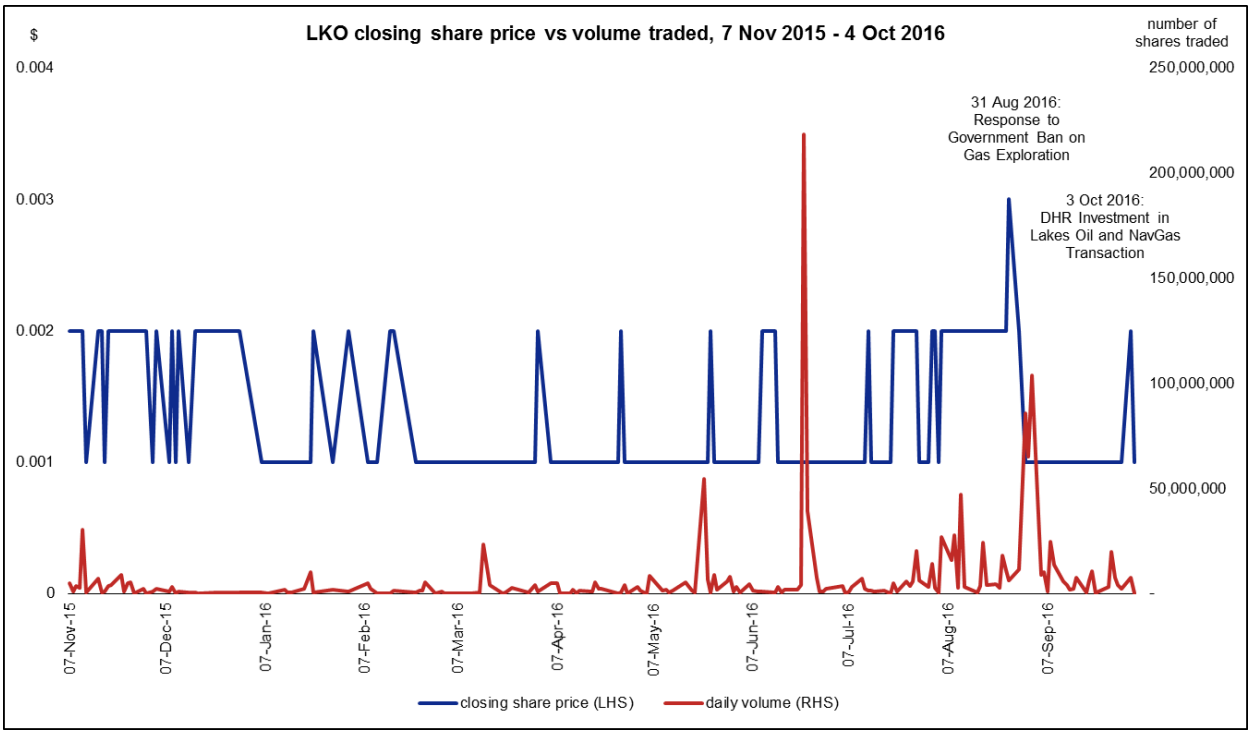
7.3.2 The share price history of LKO from 7 November 2015 to 4 October 2016 (the day immediately prior to the announcement of the trading halt that was the subject of the Proposed Transaction) is presented in the table and graph below:

Table 9

	LKO share price			LKO shares traded	
	Low	High	Average	Volume	Value
Month	$	$	$		$
2015					
November 7 - 30	0.001	0.002	0.002	82,081,304	162,852
December	0.001	0.002	0.002	10,813,051	19,069
2016					
January	0.001	0.002	0.001	18,586,118	19,086
February	0.001	0.002	0.001	18,938,945	21,439
March	0.001	0.002	0.001	37,136,210	37,136
April	0.001	0.002	0.001	30,849,239	32,240
May	0.001	0.002	0.001	115,698,820	116,049
June	0.001	0.002	0.001	294,372,202	296,115
July	0.001	0.002	0.002	69,853,926	112,432
August	0.001	0.003	0.002	317,255,179	551,227
September	0.001	0.001	0.001	305,163,074	305,163
October 1 - 4	0.001	0.002	0.002	8,010,025	15,760
				1,308,758,093	1,688,569

Source: ASX and DMR analysis

Table 10



Source: ASX and DMR analysis

7.3.3 We comment on the above table and graph below:

Share volumes

Shares held by the strategic shareholders, directors and employees total 5,034,968,054 shares or 42.23% of the issued capital[2]. The balance of the issued capital is 6,886,996,651 shares or 57.77% of the issued capital and this represents the 'free float' that is readily tradeable on market.

The turnover in the period 7 November 2015 to 4 October 2016 was 1,308,758,093 shares or 19% of the free float. We consider that the market in LKO shares is relatively illiquid.

Share prices

The share price during the period depicted has ranged from a low of $0.001 to a high of $0.003 during late August 2016. Except for the spike in the share price to $0.003, shortly before the announcement by the Victorian Government that onshore oil exploration was to be banned until 30 June 2020, the LKO share price has traded in a tight range of $0.001 to $0.002.

[2] sourced from S&P Capital IQ on 27 October 2016

7.3.4 ASX market sensitive announcements and non-market sensitive announcements in 2016 up to the announcement of the trading halt which was the subject of the Proposed Transaction, which we consider may have had an impact on the daily share prices were:

Table 11

Date	LKO headline announcement
29-Jan-16	Quarterly Activities and Cashflow Report December 2015
10-Mar-16	Financial Report for the Half-Year Ended 31 December 2015
06-Apr-16	Appendix 3B - Issue of shares on conversion of notes
12-Apr-16	Change in substantial holding
29-Apr-16	Quarterly Activities and Cashflow Report March 2016
23-May-16	Resignation of Executive Chairman - Appointment of Chairman
03-Jun-16	Director Resignation - Mr Andrew Davis
29-Jun-16	Market Update
30-Jun-16	Prospectus - Listed Unsecured Converting Notes
30-Jun-16	Letter to shareholders - Listed Unsecured Converting Notes
30-Jun-16	Listed Unsecured Converting Notes Non-Renounceable Issue
14-Jul-16	Change of Director's Interest Notices x2
20-Jul-16	Letter to Shareholders - Moratorium Update
21-Jul-16	Quarterly Activities and Cashflow Report June 2016
26-Jul-16	Quarterly Activities and Cashflow Report June 2016 - Amended
23-Aug-16	Second Supplementary Prospectus
23-Aug-16	Supplementary Prospectus
30-Aug-16	Trading Halt
31-Aug-16	Response to Government Ban on Gas Exploration
01-Sep-16	Third Supplementary Prospectus
08-Sep-16	Market Update
09-Sep-16	Suspension of Notes LKOGB from 12/9/16
14-Sep-16	Results of Converting Note Issue and Shortfall Notification
28-Sep-16	Alternate Director Resignation and Appendix 3Z
03-Oct-16	Reinstatement of Notes LKOGB on 4/10/16
03-Oct-16	Converting Notes Issue and Investment in Navgas
03-Oct-16	DHR: Investment in Lakes Oil and NavGas Transaction
03-Oct-16	2016 Annual Report to Shareholders

Source: ASX

7.3.5 The volume weighted average price ("VWAP"), based on closing prices, for the periods referred to below are:

Table 12

Period	LKO shares traded		VWAP	LKO share price	
	Volume	Value $	$	Low $	High $
120 days to 04/10/2016	985,564,406	1,271,606	0.001	0.001	0.003
90 days to 04/10/2016	696,577,204	980,877	0.001	0.001	0.003
60 days to 04/10/2016	583,058,680	781,059	0.001	0.001	0.003
30 days to 04/10/2016	144,367,543	152,118	0.001	0.001	0.002

Source: ASX & DMR analysis

7.3.6 Summary – share price history

Based on the above information we have formed the opinion that the LKO shares have a market value in a range of $0.001 to $0.002 per share as at 4 October 2016. However, given the low share price and the fact that parcels of shares cannot trade between this range, we have adopted a market value of the mid-point of this range of $0.0015 per share.

Control premium

The ASX share prices upon which the above values are based represent the prices at which minority parcels of shares are traded on a daily basis, so when we use ASX share prices as a valuation methodology we normally consider adjusting the valuation to include a control premium.

A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of the company could be acquired. Control premiums are normally in a range of 30% to 35%[3] above the value of a minority share.

The RSM Bird Cameron Control Premium Study is summarised below:

Table 13

Analysis by	Criteria	Control premium 20 days pre-announcement Average	Median
All transactions		35.30%	29.00%
Energy		35.50%	38.10%
Consideration type	Scrip	29.90%	20.60%
Size	< $25m	49.00%	42.90%

Source: RSM Bird Cameron Control Premium Study – 2013

The actual control premium paid is transaction specific and depends on a range of factors, such as the level of synergies available to the purchaser, the level of competition for the assets and strategic importance of the assets.

We consider that the current low share price of LKO reflects negative investor sentiment towards the Victorian Government ban on onshore gas exploration restricting the exploration activity of LKO's interest in highly prospective petroleum acreage as well as the relative inactivity in exploration of LKO's interests in other projects.

We consider that a control premium in a range of 30% to 35% should be applied to a valuation of LKO on a share price history basis. We have set out our calculation below:

Table 14

Control premium	Low	High
Value per share price history - minority values	$0.0015	$0.0015
Control premium	30.00%	35.00%
LKO's share value on a control basis	$0.0020	$0.0020

Source: DMR analysis

[3] RSM Bird Cameron Control Premium Study – 2013

Based on the share price valuation methodology as at 4 October 2016, we consider that the control value of a LKO share is $0.002 per share.

7.4 Capitalisation of future maintainable earnings

7.4.1 *Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.*

7.4.2 As LKO does not have a history of profitable trading, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value LKO shares.

7.5 Net present value of future cash flows

7.5.1 *An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.*

7.5.2 LKO has not been generating positive cash flows and as a result of the Victorian Government's ban on all onshore petroleum exploration activities, LKO has not been able to undertake its core business of exploring for oil and gas in Victoria.

7.5.3 On 30 August 2016, the Victorian Government announced the ban would be made permanent in respect of unconventional exploration activity and fracking, and would be extended to mid-2020 in respect of conventional exploration activity. As such, it is anticipated that LKO will not be able to undertake any exploration activity within onshore Victoria until 2020.

7.5.4 LKO also has interests in projects that are not onshore Victorian Projects. These projects include two exploration permits located offshore in Victorian waters and two exploration permits located in Queensland, however, no exploration activity has been undertaken. LKO also holds an interest in a California, USA project, however, LKO is reviewing its ongoing interest and involvement in this project.

7.5.5 In the judgment of LKO's Directors, "exploration activities in each area of interest have not yet reached a stage which permits a reasonable assessment of the existence or other of economically recoverable reserves". Accordingly, these projects cannot be valued using the net present value of the future cash flows methodology.

7.6 Asset based methods

7.6.1 This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realization costs.

This valuation methodology is based on the book value of a company's assets. LKO's 2 major assets are capitalised exploration and evaluation assets ($5.172 million) and land and buildings (net $1.765 million - classified as part of property, plant and equipment). In the 2016 financial year, the Company was left with no alternative but to impair the value of the capitalised exploration and evaluation assets by approximately $47.357 million as a result of the Victorian Government's 30 August 2016 announcement that all onshore gas exploration is to be banned.

The recoverability of the remaining unimpaired costs is dependant on the successful development and commercial exploitation or sale of the permit areas to which these costs relate. As such, the book value of the Company's net assets may not reflect the market value of these assets.

The net assets of LKO as at 30 June 2016 as per the audited financial statements were $6,822,106 (refer to section 6.5 above). Accordingly, we have concluded that the net asset backing of LKO was $6,822,106 as at 30 June 2016, however, this is not considered to be a valid valuation of the LKO shares as it does not reflect the market value of LKO's exploration assets and the subsequent events to 30 June 2016.

(b) Orderly realisation of assets

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

Given LKO's low level of debts (refer to section 6.3 above) and support from its major investors, we do not consider that an orderly realisation of its assets is an appropriate valuation methodology to use in assessing the value of LKO at this point in time.

(c) Liquidation of Assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

We consider that this methodology is an inappropriate valuation methodology to use as LKO has existing cash resources and support from its major investors.

7.7 Comparable market transactions

Industry specific methods estimate market values using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

In considering the application of this methodology, we have considered LKO's interest held in projects and acreage in different geographic regions, the restriction on exploration of Victorian based onshore acreage and the different stages of prospectivity of non-Victorian onshore projects.

For these reasons, we do not consider that it is appropriate to apply this valuation methodology to a valuation of LKO, however, this methodology was used by SRK Consulting (Australasia) Pty Ltd ("SRK") to value LKO's interests in individual exploration assets.

7.8 Alternate acquirer

7.8.1 *The value that an alternative offeror may be prepared to pay to acquire LKO is a relevant valuation methodology to be considered.*

7.8.2 We are not aware of any offers for the LKO shares and we can see no reason as to why an offer would be initiated at this time without the consent and support of the major shareholders.

7.9 Sum of the parts valuation

In section 7.6.1 (a), we noted that the value of LKO based on the book values of its net assets at 30 June 2016 was $6,822,106.

Due to the range of the company's projects, permits and acreages, we considered that this methodology was not an appropriate methodology to use to value LKO. Accordingly, in table 15 below we have specifically eliminated the book value of "Exploration and evaluation" assets and inserted our assessment of the values of these assets based on the assumptions stated in the notes below. Since 30 June 2016, the Company has made further transactions that we have reflected in the table and explained in the notes below.

Our sum of the parts valuation based on the 30 June 2016 financial statements is as follows:

Table 15

Lakes Oil NL	Audited 30/06/16	DMR value adopted	Cash movement	Converting notes issue	Navgas investment	Sum of the parts valuation before Proposed Transaction Low	Sum of the parts valuation before Proposed Transaction High
	$	$	$	$	$	$	$
notes	1	2	3	4	5		
Assets							
Current assets							
Cash and cash equivalents	761,818		340,000	580,000	(400,000)	1,281,818	1,281,818
Trade and other receivables	86,249					86,249	86,249
Financial assets	924,044		(924,044)			-	-
Other financial assets	385,302					385,302	385,302
Other current assets	38,680					38,680	38,680
Total current assets	2,196,093					1,792,049	1,792,049
Non-current assets							
Property plant and equipment	1,864,335					1,864,335	1,864,335
Financial assets - Navgas					400,000	400,000	400,000
Exploration and evaluation	5,172,635	4,865,514				4,865,514	5,315,514
Total non-current assets	7,036,970					7,129,849	7,579,849
Total assets	9,233,063					8,921,898	9,371,898
Liabilities							
Current liabilities							
Trade and other payables	683,601					683,601	683,601
Converting notes	216,360					216,360	216,360
Borrowings	1,000,000					1,000,000	1,000,000
Provisions	202,535					202,535	202,535
Total current liabilities	2,102,496					2,102,496	2,102,496
Non-current liabilities							
Provisions	308,461					308,461	308,461
Total non-current liabilities	308,461					308,461	308,461
Total liabilities	2,410,957					2,410,957	2,410,957
Net assets	6,822,106					6,510,941	6,960,941
					say	**$6,500,000**	**$7,000,000**
					LKO shares on issue	**11,921,964,705**	**11,921,964,705**
					LKO value per share	**$0.0005**	**$0.0006**

Source: LKO Annual Report – 30 June 2016, SRK & DMR analysis

We appointed SRK to assist us in the valuation of LKO's interest in all permits, leases and/or acreages in both Australia and California, USA. A full copy of SRK's report is set out as Attachment 1 to this report.

Note 1: All assets and liabilities disclosed on LKO's audited balance sheet (table 6 above) have been included in the 'Sum of the Parts' valuation, except for the book values of the "exploration and evaluation" assets and those items subject to the notes below. We have used the SRK report to assist us in the valuation of these assets and further explanations are included in the notes below.

It should be noted that the major component of property plant and equipment are land and buildings (carrying value of $1,765,538), which were independently valued on 4 September 2014 and hence we have adopted the book value of property plant and equipment as being reflective of its realisable value (whilst the independent property valuation reflects values of two years ago, as these are rural properties we consider the risk that current values differ materially from the level assessed in September 2014 is low).

Note 2: We have reviewed the SRK valuation report and provide in the table below the SRK valuations of LKO's interest in all permits, leases and/or acreages. The SRK valuation report does not consider the moratorium placed on onshore exploration by the Victorian Government and states that "political risk associated with the Victorian onshore drilling and fracture simulation ban is simply unknown". We have dealt with the impact of this issue separately.

Table 16

Lakes Oil NL Exploration and evaluation	notes	**SRK value preferred** $	**Book value** $	**DMR value adopted Low** $	**DMR value adopted High** $
Tenement					
PEP 163	a	1,513,257	-	1,000,000	200,000
PEP 167	a	3,683,144	-		200,000
PEP 169	a, c	3,302,170	-		100,000
PEP 175	a	3,275,593	-		200,000
PRL 2 - Overall Permit	a, b	50,050,908	-		200,000
PRL 2 - Trifon Field	a, b		-		200,000
PRL 3	a	2,105,000	-		200,000
PEP 166	a, c	6,271,218	-		150,000
VIC/P43(V)		219,922	-	219,922	219,922
VIC/P44(V)		561,622	-	561,622	561,622
ATP642P		1,550,000	658,563	1,550,000	1,550,000
ATP662P		1,380,000	652,924	1,380,000	1,380,000
Eagle Prospect		153,970	3,861,148	153,970	153,970
EL5333	d		-	-	-
EL5334	d		-	-	-
EL5394	d		-	-	-
Total		74,066,804	5,172,635	4,865,514	5,315,514

Source: LKO Annual Report – 30 June 2016, SRK & DMR analysis

Note a: These tenements are located onshore in Victoria.

Note b: SRK have valued PRL 2 as a single asset and we have adopted this value as being reflective of LKO's respective interest in this tenement including the Trifon Field.

Note c: LKO has a 49% interest in PEP 169 and a 75% interest in PEP 166.

Note d: LKO held an interest in three Victorian coal exploration leases, however, no exploration activities were undertaken and subsequent to the end of the 2016 financial year it relinquished these leases.

SRK have provided a low value ($23,113,908) and high value ($414,000,964) range for LKO's assets. Given the size of this range, we have adopted the SRK preferred value in table 16 above for LKO's exploration assets. The SRK report concluded the fair value estimate of LKO's assets to have a preferred value of $74,066,804 compared to the book/impaired value of LKO's assets of $5,172,635 as disclosed in the 2016 audited financial statements.

Victorian onshore assets

We have considered the following factors relating to the exploration moratorium, in determining the market value of the onshore Victorian assets.

i. We have assessed the market capitalisation of LKO prior to and after the Victorian Government announcement on 30 August 2016. We have observed that on 29 August 2016, prior to the Victorian Government announcement, LKO's market capitalisation totalled approximately $23.730 million compared to a market capitalisation of $11.865 million on 31 August 2016. This represents a discount of 50% to the value of LKO as placed by the market and is impacted by the share price move from $0.002 per share on 29 August 2016 to $0.001 per share on 31 August 2016.

ii. We have undertaken market research to identify gas exploration companies listed on the ASX, which hold Victorian onshore exploration licenses that are also impacted by the Victorian Government moratorium. We have set out below those companies as well as the market capitalisation before and after the Victorian Government announcement on 30 August 2016.

Table 17

Victorian Government ban Company	Market capitalisation 29-Aug-16	31-Aug-16	Market discount
LKO	$23,730,479	$11,865,240	50.00%
Armour Energy Limited	$24,537,214	$23,245,782	5.26%

Source: ASX & DMR analysis

iii. It can be observed that the market discount calculation in table 17 above for Armour is much lower than the market discount calculated for LKO. We consider that this may be a result of the range of portfolio of assets held by Armour compared to LKO as well as the underlying share price.

iv. LKO's annual report as at 30 June 2016 recorded an impairment of 100% to the book value of its Victorian exploration permits ($47 million). We have been provided with management's comments on future exploration activities for the Victorian projects and the impairment to the value of these tenements is due to the Victorian Government's ban on all onshore gas exploration.

v. Our research has revealed that all listed companies that we were able to identify, with Victorian onshore oil and gas exploration licences, have impaired the value of those licences following the 30 August 2016 Victorian Government announcement.

vi. We have not identified any sales or joint venture arrangements relating to Victorian onshore oil and gas assets entered into since 30 August 2016 that provide any evidence of the market value of these assets.

vii. On 27 October 2016, LKO announced that it has filed an application in the Supreme Court of Victoria seeking a Judicial Review of the Victorian Minister for Resources' decision to ban onshore oil and gas exploration. At present, there is no reasonable basis for assuming that LKO's application will be successful.

viii. On 22 November 2016, the Victorian Government announced that it was introducing legislation to permanently ban fracking in Victoria. The government also announced that holders of tenements who voluntarily relinquish their licences will receive cash compensation. The size of the compensation was not announced, however the government indicated that it would be in line with compensation offered by the NSW government, which we understand is capped at $200,000 per tenement. There can be at present no certainty that payment of compensation will in fact be enacted nor the conditions under which it will be payable, which may mean that no or less than the maximum amount of compensation will be payable in respect of one or more of LKO's tenements.

Given the level of uncertainty described above, we have assumed in the Low value scenario that in total across all the tenements LKO will receive compensation of $1,000,000 and in the High value scenario we assumed that LKO will receive its proportional share of the total compensation of $200,000 per tenement.

Victorian offshore assets

Although offshore exploration activity is not prohibited in Victoria, LKO's Victorian offshore assets, VIC/P43(V) and VIC/944(V), have been impaired as LKO does not envisage carrying out seismic work until possibly 2017/2018. Both permits are considered to have potential for production of oil and gas and for this reason we have adopted the SRK value.

Queensland onshore assets

LKO's Queensland onshore assets, ATP 642P and ATP662P, have not been impaired and for this reason we have adopted the SRK value based on the current proposed total expenditure which is higher than the book value.

California, USA onshore assets

LKO's Californian onshore assets, Eagle Prospect, successfully produced oil until mechanical problems led to a loss of production. Drilling of a further well is proposed but not yet confirmed and for this reason we have adopted the SRK value based on the current proposed total expenditure which is lower than the book value recorded in LKO's 2016 audited financial statements.

Note 3: We have reviewed LKO's Quarterly Activities and Cashflow Report for the quarter ending September 2016 announced on 26 October 2016. The cash movement from 30 June 2016 to 30 September 2016 totals approximately $340,000. We have adjusted the financial position of LKO by adjusting cash accordingly.

Financial assets relate to LKO's investment in Greenearth Energy limited ("GER"). Subsequent to the end of the 2016 financial year, LKO sold its investment in GER for $751,199. This is was $172,845 less than the book value of LKO's investment in GER as at 30 June 2016. We have adjusted the financial position of LKO to reflect this transaction by reducing financial assets by $924,044.

On 14 September 2016, LKO raised $542,000 from a converting note issue, however, this resulted in a shortfall of approximately $6.6 million following the closure of the offer. On 16 September, LKO announced that it had issued 53,666 converting notes ("LKOGB") as part of the raise, however, 9,367 notes were redeemed. Accordingly, these funds are reflected in the cash movement of $340,000.

Note 4: On 3 October 2016, LKO announced a placement of 58,000 LKOGB converting notes for total cash consideration of $580,000. DHR subscribed for 40,000 LKOGB converting notes for consideration of $400,000.

Note 5: On 3 October 2016, LKO also announced the acquisition of a 4% stake in Navgas for $400,000. This acquisition was funded by 40,000 convertible notes at $10 ($400,000) issued to DHR which form part of the 58,000 converting notes issued (refer to note 4 above). We have adjusted the financial position of LKO to reflect this transaction by increasing financial assets by $400,000 as a proxy for the market value of LKO's 4% interest in Navgas as well as the reduction in cash of $400,000.

Based on the sum of the parts valuation methodology in table 15 above, LKO is valued in a range of $6,500,000 to $7,000,000, or in a range of $0.0005 to $0.0006 per share. As this value range reflects the value of the net assets of LKO and this value can only be extracted by a controlling shareholder, it is by definition a control value (as opposed to a minority value).

7.10 Conclusion

The applicable valuation methodologies that we have considered are summarised as:

Table 18

LKO Valuation methodology	section	Low $	High $
Share price history - control value	7.3	$0.002	$0.002
Sum of the parts	7.9	$0.0005	$0.0006

Source: DMR analysis

As can be seen from table 18 above, there is a significant disconnect between the valuation of LKO shares derived from the share price history methodology and the sum of the parts methodology.

Whilst the share price methodology is based on actual trades in LKO shares through to 4 October 2016, these trades only reflect the publicly available information in the market up to that date. We do not consider that there is sufficient liquidity in the market for LKO shares for us to apply the share price valuation methodology as at 4 October 2016.

The sum of the parts methodology reflects the events that have occurred between 30 June 2016 and the date of this report. Since 30 June 2016, LKO's share price has been impacted by the following:

- Victorian Government's announcement on 30 August 2016;
- Investment in Navgas;
- Issue of converting notes (LKOGB);
- Conversion of listed convertible notes (LKOGA); and
- Announcement of the Proposed Transaction.

The sum of the parts valuation is based on a detailed analysis of all the major assets owned by LKO as well as any relevant impact of the above events, since 30 June 2016.

For these reasons, we have elected to use the sum of the parts valuation methodology on this occasion and we have adopted the control value of $0.0005 to $0.0006 per share for LKO, which equate to a control value in a range of $6,500,000 to $7,000,000 (refer to table 15 above) before the Proposed Transaction.

8. Navgas - key information

8.1 General

8.1.1 Following the Victorian Government's ban on onshore exploration activity and failing the softening of the Victorian Government's position, the new exploration acreage to be acquired as part of the Proposed Transaction will be LKO's principal exploration focus.

The Proposed Transaction will result in the issue of 9,600,000,000 LKO shares to acquire the remaining 96% of the shares in Navgas.

8.1.2 Navgas was established by DHR in 2012 as a separate oil and gas focused company, founded on several petroleum license applications made over a prospective province within South Australia.

Today, Navgas holds prospective petroleum exploration acreage in South Australia and Queensland, which we have set out below.

Table 19

Exploration permits	Location	Navgas interest
PELA 577 - Blinman	South Australia	100% interest
PELA 578 - Brachina	South Australia	100% interest
PELA 579 - Willouran	South Australia	100% interest
PELA 601 - Pernatty	South Australia	100% interest
PELA 602 - Winnie Pinnie	South Australia	100% interest
PELA 631 - Wilkatana	South Australia	100% interest
ATP 1183	Queensland	100% interest

Source: DHR announcement 6 October 2016

Navgas' Pirie Torrens Basin oil and gas project incorporates the six South Australian based exploration licenses in the above table. The project was originally generated by DHR on the basis of its potential prospectivity for unconventional shale gas. This project 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 eastern and southern states of Australia over the next five years, in particular given the Victorian Government's gas exploration ban.

In 2014, Navgas was the successful tenderer for ATP 1183 on the Roma Shelf in Queensland, which is considered highly prospective for oil, gas and condensate targets. In 2015, Navgas successfully increased the tenure period of the Roma Shelf project from four years to six years. The Roma Shelf project is situated in an area with established production facilities and infrastructure, and is well serviced by existing gas pipelines. The granted tenement is adjacent to Armour's Kincora Project, one of LKO's major shareholders.

DHR holds a 92.78% interest in Navgas along with two individuals who hold a combined 3.22% interest, with LKO holding the remaining 4% interest. Following the completion of the Proposed Transaction, LKO will hold a 100% interest in Navgas.

8.2 Statements of financial position

Navgas' net assets as at 30 June 2015 and 2016 are as follows:

Table 20

Navgas Pty Ltd Net assets	30/06/2015 $	30/06/2016 $
Assets		
Security deposits - DNRM	12,000	12,000
SA exploration expenditure		
PELA 577 - Blinman	26,644	26,644
PELA 578 - Brachina	26,644	26,644
PELA 579 - Willouran	26,644	26,644
PELA 601 - Pernatty	26,644	26,644
PELA 602 - Winnie Pinnie	26,644	26,722
PELA 631 - Wilkatana	36,297	36,297
SA exploration expense general	-	12,000
QLD exploration expenditure		
ATP 1183 Roma Shelf	8,402	10,146
NT exploration expenditure		
NT general expenditure	1,000	1,000
QLD general exploration	78	78
Total assets	190,997	204,819
Liabilities		
Trade creditors	15,443	15,443
GST liabilities	(60)	1
Loans - Navaho Gold Limited	186,392	201,185
Total liabilities	201,775	216,628
Net assets	(10,778)	(11,809)

Source: Navgas financial statements

8.3 Operating performance

Navgas' profit and loss statement for the financial years ended 30 June 2015 and 2016 are as follows:

Table 21

Navgas Pty Ltd Profit & loss statement	2015 $	2016 $
Income	-	-
Expenses		
Accounting fees	(1,100)	(785)
Filing fees	(625)	(246)
Consulting fee	(8,025)	-
Foreign exchange adjustment	(60)	-
	(9,810)	(1,031)
Net profit/(loss)	(9,810)	(1,031)

Source: Navgas financial statements

9. Value of Navgas

9.1 Valuation methodologies

9.1.1 In selecting appropriate valuation methodologies, we considered the applicability of the generally accepted valuation methodologies as set out in section 7.2 above.

9.2 Share price history

9.2.1 Navgas is an unlisted proprietary company and there is no market in its shares. On 3 October 2016, LKO acquired 4% of the issued share capital of Navgas from DHR for a consideration of $400,000. These funds were reinvested into LKO by DHR in exchange for 40,000 converting notes at $10 each. We consider that this was a strategic transaction as part of LKO's further involvement in Navgas, in particular the Proposed Transaction. Accordingly, we do not consider that this market transaction can be relied upon to determine the share price of Navgas at this time.

9.2.2 We are not aware of any other market transactions in Navgas' shares that can be relied upon and we therefore consider that the share price history is not an appropriate methodology to use to value Navgas.

9.3 Earnings based valuation

9.3.1 As Navgas does not have a history of profitable trading, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value Navgas.

9.4 Net present value of future cash flows

9.4.1 Navgas has not been generating positive cash flows and its projects are currently at an exploration stage. Accordingly, these projects cannot be valued using the net present value of the future cash flows methodology.

9.5 Asset based methods

9.5.1 This methodology is based on the realisable value of a company's identifiable net assets and we have considered the following asset based valuation methodologies:

(a) Net assets

Navgas' major assets are capitalised exploration assets relating to South Australia and Queensland permits. The recoverability of these costs is dependant on the successful development and commercial exploitation or sale of the permit areas to which these costs relate. As such the book value of the company's net assets may not reflect the market value of these assets.

As per the unaudited financial statements as at 30 June 2016, Navgas reported a deficiency in net assets of $11,809 (refer to section 8.2 above). Accordingly, this does not return a commercial value of Navgas and we therefore do not consider this to be a valid valuation of Navgas as it does not reflect the market value of Navgas' exploration assets.

(b) Orderly realisation of assets

Navgas has borrowings from Navaho Gold Limited, the former name of DHR, its parent company. Given Navgas' low level of debts (refer to section 8.2 above) and support from DHR, we do not consider that an orderly realisation of its assets is an appropriate valuation methodology to use in assessing the value of Navgas at this point in time.

(c) Liquidation of Assets

We consider that this methodology is an inappropriate valuation methodology to use as Navgas has the support of its major shareholder.

9.6 Comparable market transactions

In considering the application of this methodology, we have considered Navgas' interest held in projects and acreage in different geographic regions. For these reasons, we do not consider that it is appropriate to apply this valuation methodology to a valuation of Navgas, however, this methodology was used by SRK to value Navgas' interests in individual exploration assets.

9.7 Alternate acquirer

9.7.1 We are not aware of any other offers for Navgas and we can see no reason as to why an offer would be initiated at this time pending the Proposed Transaction.

9.8 Sum of the parts valuation

In section 9.5.1 (a), we noted that the value of Navgas based on the book values of its net assets as at 30 June 2016 did not return a commercial value of Navgas. In table 22 below we have specifically eliminated the book value of "exploration" assets and inserted our assessment of the values of these assets based on the assumptions stated in the notes below.

Our sum of the parts aggregation based on the 30 June 2016 financial statements is as follows:

Table 22

Navgas Pty Ltd		**30/06/2016**	**DMR value adopted**	**Sum of the parts valuation**
		$	**$**	**$**
	notes	1	2	
Assets				
Security deposits - DNRM		12,000		12,000
SA exploration expenditure				
PELA 577 - Blinman		26,644	26,644	26,644
PELA 578 - Brachina		26,644	26,644	26,644
PELA 579 - Willouran		26,644	26,644	26,644
PELA 601 - Pernatty		26,644	26,644	26,644
PELA 602 - Winnie Pinnie		26,722	26,722	26,722
PELA 631 - Wilkatana		36,297	37,420	37,420
SG exploration expense general	3	12,000		
QLD exploration expenditure				
ATP 1183 Roma Shelf		10,146	9,820,836	9,820,836
NT exploration expenditure				
NT general expenditure	3	1,000		
QLD general exploration	3	78		
Total assets		204,819		10,003,554
Liabilities				
Trade creditors	4	15,443		
GST liabilities	4	1		
Loans - Navaho Gold Limited	4	201,185		
Total liabilities		216,628		-
Net assets		(11,809)		10,003,554
			say	**$10,000,000**

Source: Navgas financial statements – 30 June 2016, SRK & DMR analysis

We appointed SRK to assist us in the valuation of Navgas' interest in all permits, leases and/or acreages in South Australia and Queensland.

The above adjustments to book values have been made based on the following assumptions:

Note 1: All tangible assets and liabilities disclosed on Navgas' balance sheet (table 20 above) have been included in the 'Sum of the Parts' valuation, except for the book values of the "exploration" assets and those other items subject to notes 3 and 4 below. We have reviewed the Navgas trial balance as at 30 September 2016 and we do not consider any material transactions which have impacted the balance sheet as at 30 June 2016. We have used the SRK specialist report to assist us in the valuation of these assets and further explanations are included in the notes below.

Note 2: We have reviewed the SRK valuation report and provide in the table below the SRK valuations of Navgas' interest in all permits, leases and/or acreages. We have adopted the SRK values of Navgas' assets.

Table 23

Navgas Pty Ltd	SRK value $	Book value $	DMR value adopted $
Permit name			
PELA 577 - Blinman	26,644	26,644	26,644
PELA 578 - Brachina	26,644	26,644	26,644
PELA 579 - Willouran	26,644	26,644	26,644
PELA 601 - Pernatty	26,644	26,644	26,644
PELA 602 - Winnie Pinnie	26,722	26,722	26,722
PELA 631 - Wilkatana	37,420	36,297	37,420
ATP 1183 Roma Shelf	9,820,836	10,146	9,820,836
Total	9,991,554	179,742	9,991,554

Source: Navgas financial statements – 30 June 2016, SRK & DMR analysis

Note 3: We do not consider that the general exploration expenditure capitalised by Navgas has a material book value that is recoverable and for this reason, we have attributed no value to these assets.

Note 4: We are advised by Mr Pry Jayasuriya, Group CFO of DGR Global Limited ("DGR"), that as part of the Proposed Transaction the loan from DHR (formerly Navaho Gold Limited) will be forgiven and the trade creditors assumed by DHR. Accordingly, we have attributed no amount to the liabilities of Navgas as reported in the balance sheet as at 30 June 2016.

Based on the sum of the parts valuation methodology in table 23 above, Navgas is valued at $10,000,000 on a control basis.

9.9 Conclusion

The sum of the parts valuation is based on a detailed analysis of all the exploration assets owned by Navgas. We have assessed the value of Navgas, on a control basis, to be $10,000,000.

In our opinion the provision of a single value does not appropriately reflect the uncertainty inherent in any valuation. To allow for this uncertainty, we have used a range of plus and minus 10% around the above value to develop a fair value range. Hence we have estimated the value of Navgas in a range of $9,000,000 to $11,000,000.

10. Valuation of LKO after the Proposed Transaction

10.1 The value of LKO after the Proposed Transaction will comprise of its value before the Proposed Transaction together with the value of Navgas. In section 7 we assessed the value of LKO before the Proposed Transaction to be in a range of $6,500,000 to $7,000,000, however this value already includes a 4% interest in Navgas valued at $400,000. In section 9, we assessed the current value of Navgas to be in a range of $9,000,000 to $11,000,000. Using this information the value of LKO after the Proposed Transaction can be expressed as follows:

Table 24

LKO	section	Low $	High $
Value of LKO before the Proposed Transaction	7.10	6,500,000	7,000,000
Elimination of LKO's current interest in Navgas		(400,000)	(400,000)
Value of Navgas	9.9	9,000,000	11,000,000
Value of LKO after the Proposed Transaction		15,100,000	17,600,000

Source: DMR analysis

10.2 In our opinion, after completion of the Proposed Transaction the value of LKO on a control basis will be in a range of $15,100,000 to $17,600,000.

11. Assessment as to Fairness

11.1 In section 10.2 above, we assessed the value of LKO on a control basis after the Proposed Transaction to be in the range of $15,100,000 to $17,600,000, however as DHR will control 43.11% of LKO's voting power, the existing LKO shareholders will technically become minority shareholders. For this reason in table 25 below, we have estimated the minority value of an LKO share after the Proposed Transaction by eliminating the premium for control. In section 7.3.6, we selected a control premium in a range of 30% to 35% and the equivalent minority discount is in a range of 23% and 26%.

Table 25

LKO	Low	High
LKO value - control basis	$15,100,000	$17,600,000
Control premium elimination to obtain minority value	26.00%	23.00%
LKO value - minority basis	$11,174,000	$13,552,000
LKO shares on issue - after the Proposed Transaction	21,521,964,705	21,521,964,705
LKO share value - minority basis	$0.0005	$0.0006

Source: DMR analysis

11.2 In section 7.10, we concluded that the value of the LKO shares on a control basis before the Proposed Transaction is in a range of $0.0005 to $0.0006 per share and in section 11.1 above we assessed the minority value of a LKO share after the Proposed Transaction to also be in the range of $0.0005 to $0.0006 per share.

11.3 As the minority value of a LKO share after the Proposed Transaction ($0.0005 to $0.0006) is equal to the control value of a LKO share before the Proposed Transaction ($0.0005 to $0.0006), we have concluded that the Proposed Transaction is **fair**.

12. Assessment as to Reasonableness

12.1 Prior to deciding whether to approve or reject the Proposed Transaction, the LKO shareholders should also consider the following significant factors:

- In section 11 above, we assessed the Proposed Transaction as being fair and therefore it is reasonable.
- If shareholders approve the Proposed Transaction DHR will control 43.11% of LKO's voting power and DHR will have effective control over LKO.
- The Proposed Transaction provides LKO an opportunity to acquire Queensland and South Australian acreage that has excellent potential for future production of gas, condensate and/or oil. It will also complement LKO's existing exploration acreage in Victoria and Queensland and will add promising acreage in South Australia.
- LKO's major assets are Victorian based exploration permits which have been impacted by the Victorian Government's ban on onshore gas exploration to at least mid-2020. In view of this ban, the new exploration acreage, subject to the Proposed Transaction, will be the principal focus of LKO's exploration efforts over coming years, failing a softening of the Victorian Government's position on onshore gas exploration.
- The Proposed Transaction will see the emergence of DHR as a significant investor on the company's share register and along with Armour as an existing major investor may support the future exploration activities of LKO both operationally and financially.
- Should the Proposed Transaction proceed, DGR has committed to provide a $1.5 million underwriting for a future rights issue of shares. DGR's business is involved with the creation of resource exploration development and mining companies. This may provide a level of market confidence and may also support the future exploration activities of LKO both operationally and financially.
- As a consequence of the Victorian Government's decision to ban onshore gas exploration, LKO's $7.1 million $10 converting notes (LKOGB) issue, which was launched on 30 June 2016, was adversely affected. A consequence of the ban was that $1 million conditional underwriting of the issue ceased to be available and that subscribers for LKOGB were afforded a 30 day period, until 3 October 2016, during which they could redeem their subscriptions. Following redemptions of 9,367 notes, a further 58,000 notes were issued on 3 October 2016 to DHR and DGR. Accordingly, it is unlikely that any future converting notes issue would be well supported in the absence of the Proposed Transaction.
- LKO currently holds a 4% minority interest in Navgas. If the Proposed Transaction is not approved, LKO will continue to hold a minority interest in Navgas without any control over the exploration activities of its assets and may not be able to readily dispose of this asset.
- In section 7.9, we assessed the cash assets of LKO before the Proposed Transaction to be $1.282 million. If the Proposed Transaction is not approved, LKO may find it difficult to raise additional funds to support its future operations. This could result in LKO becoming insolvent.
- Given LKO's current financial position, if shareholders do not approve the Proposed Transaction, we believe that LKO will need to urgently seek an alternative proposal. Any alternative proposal may be on substantially less advantageous terms than the Proposed Transaction.

- Since the announcement of the Proposed Transaction, the share price has traded in a tight range from $0.001 to $0.002 on low volumes. If the Proposed Transaction is not approved, we do not believe that the share price will recover.
- As disclosed in Section 7.9, SRK valued LKO's existing onshore Victorian exploration assets at approximately $70 million on the assumption that the Victorian Government has not banned onshore oil and gas exploration. For reasons set out in Section 7.9, in our assessment of fairness we have placed a nil value on these exploration assets. Should the current exploration ban be reversed in the short term, value will be restored to these exploration assets. Should shareholders approve the Proposed Transaction, approximately 43.11% of the restored value will accrue to DHR.
- On 6 December 2016 LKO announced that it filed a Writ in the Supreme Court of Victoria seeking damages for the losses suffered by LKO as a result of allegedly unjust and unlawful actions of the Victorian Government. LKO announced that the Writ seeks damages of $92 million in respect of past expenditure and over $2.6 billion on account of lost future earnings. We are not in a position to offer any comments as to the prospects for success of this litigation and the potential impact of the litigation on LKO has not been taken into account in the preparation of this report.

12.2 Based on the above, we consider that the advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction, and for this reason, we consider that the Proposed Transaction is reasonable.

13. Assessment as to Fairness and Reasonableness

After considering the above matters, we have concluded that the Proposed Transaction is fair and reasonable.

14. Financial Services Guide

14.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

14.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

14.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate's independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

14.4 General Financial Product Advice

In the report, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

14.5 Independence

At the date of this report, none of DMR Corporate, Mr Paul Lom nor Mr Stefan Galbo has any interest in the outcome of the Proposed Transaction, nor any relationship with LKO, Navgas, DHR or any of their directors.

Drafts of this report were provided to and discussed with the management of LKO and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate and its related entities do not have any shareholding in or other relationship with LKO that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

14.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately $30,000 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

14.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd

Paul Lom
Director

Stefan Galbo
CA BV Specialist

Appendix A

Lakes Oil NL

Sources of Information

The key documents we have relied upon in preparing this report are:

- Heads of Agreement between LKO, DHR and DGR dated 5 October 2016;
- Draft Agreement for Sale of Shares between LKO, DHR, Douglas Haynes and Peter Bubendorfer;
- LKO's 2016 Annual Report;
- LKO's announcements to the ASX for the 2016 calendar year;
- LKO Impairment of Exploration and Evaluation Assets internal paper;
- LKO draft resolution relating to the Proposed Transaction for the purpose of the Notice of meeting and Explanatory Statement;
- LKO 's share register as at 10 October 2016;
- LKO 's ASX share price and trade volumes for the period from 7 November 2015 to 20 October 2016 supplied by ASX;
- Navgas' 2015 and 2016 financial statements;
- Navgas' trial balance as at 30 September 2016;
- DHR's announcements to the ASX on 3 October 2016 and 6 October 2016;
- Research data from Capital IQ and other publically accessible web sites;
- SRK Consulting (Australasia) Pty Ltd report dated December 2016; and
- Discussions with the management of LKO and Group CFO of DGR.

Appendix B

Lakes Oil NL

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of LKO pursuant to Section 611 of the Act to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Paul Lom, director of DMR Corporate, and Mr Stefan Galbo, prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers, capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist) with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

Mr Galbo is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist). He has been responsible for the preparation of valuation reports relating to shares, businesses, options and performance rights and intellectual property for the purpose of acquisitions, divestments, litigation, taxation and capital reconstruction.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

SRK Independent Specialist Report

Independent Specialist Report on the petroleum assets of NavGas Pty Ltd and Lakes Oil NL

Report Prepared for

DMR Corporate

Report Prepared by

SRK Consulting (Australasia) Pty Ltd

Project Number: DMR003

December 2016

Independent Specialist Report on the petroleum assets of NavGas Pty Ltd and Lakes Oil NL

DMR Corporate

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SRK Project Number: DMR003

December 2016

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Executive Summary

Introduction

Mr Paul Lom of DMR Corporate requested SRK Consulting Australasia Pty Ltd (SRK) to prepare an Independent Specialist Report incorporating a technical assessment and valuation of the petroleum interests of NavGas Pty Ltd (NavGas) and Lakes Oil NL (Lakes). We understand that this report may be included as an appendix to DMR's Independent Expert's Report relating to a potential transaction involving NavGas' petroleum assets located in Queensland and South Australia.

NavGas is a subsidiary company of Australian Securities Exchange (ASX) listed company, Dark Horse Resources Limited (OHR) (92.78%) and two individuals (3.22% total). NavGas currently holds a 100% interest in a single granted Authority to Prospect (ATP1183) for petroleum in Queensland and six Exploration Licence applications (PELA) known as the Pirie Torrens Project in South Australia.

The Pirie Torrens Oil and Gas Project covers an area of approximately 53,000 km² as shown in **Figure ES-1**.

NavGas' ATP1183 resides on the Roma Shelf in Queensland and is considered prospective for oil, gas and condensate targets as it contains discovered hydrocarbons previously considered to be sub-commercial (**Figure ES-2**).

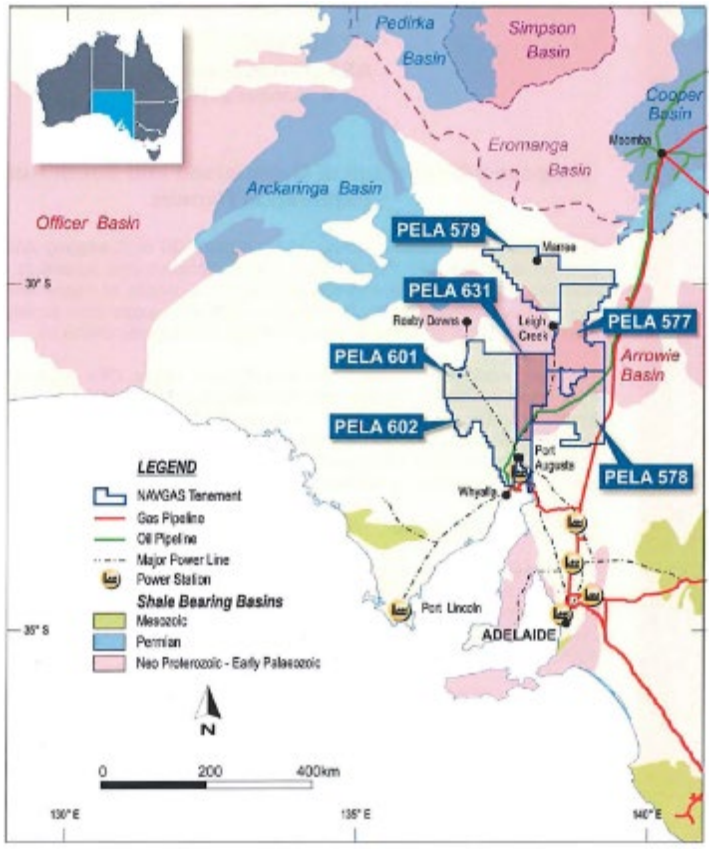

Figure ES-1: Six Petroleum Exploration Licence Applications (PELAs) located in South Australia

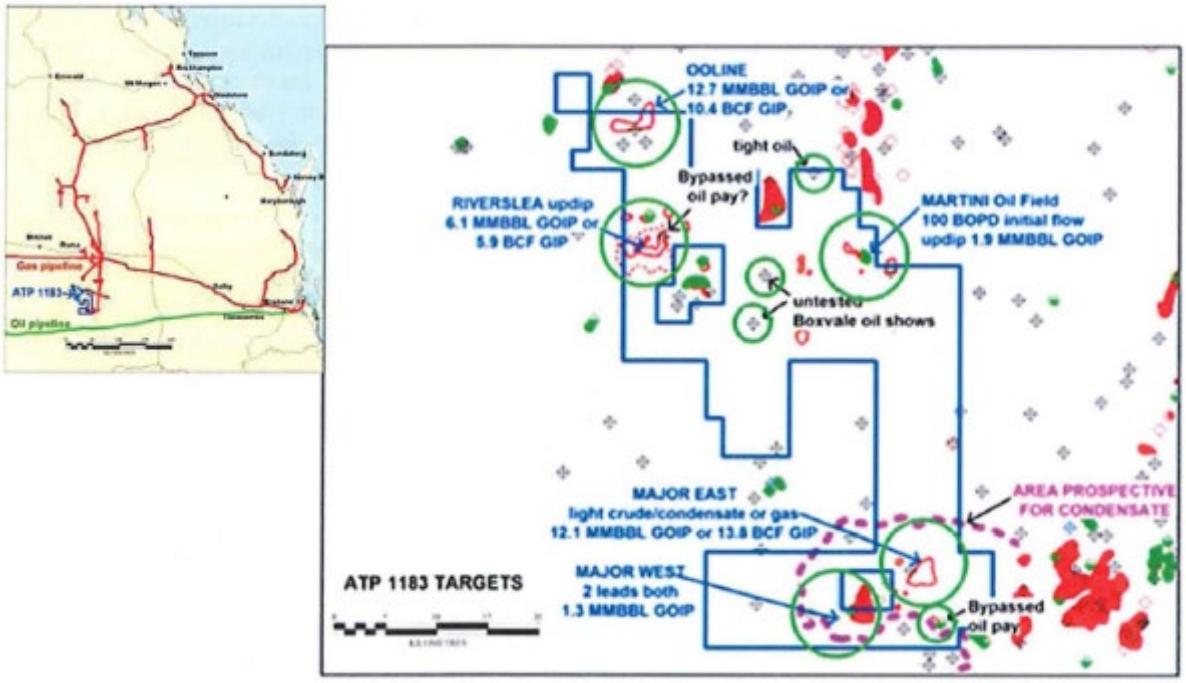

Figure ES-2: ATP1183 on the Roma Shelf in Queensland

SRK has considered the value of NavGas' petroleum tenure and provides the following estimations (**Table ES-1**). The high side valuation for ATP1183 was derived from the proposed expenditure submitted to the Queensland Department of Natural Resources and Mines. It is the estimated work program value to win the block in a competitive tender at the time of release. SRK's preferred value is the current proposed value to undertake the work commitments. SRKs preferred value for the PELA's is the cost of the applications.

Table ES-1: Summary of the tenure values of NavGas Pty Ltd blocks

Permit application	Applicant/Tenement holder	Interest %	Area km^2	Low Value	SRK Preferred value	High Value	Notes
South Australia							
PELA 577	NAVGAS Pty Ltd	100	9672	$0	**$26,644**	$2,180,000	Application value only
PELA 578	NAVGAS Pty Ltd	100	9344	$0	**$26,644**	$2,180,000	Application value only
PELA 579	NAVGAS Pty Ltd	100	9902	$0	**$26,644**	$2,180,000	Application value only
PELA 601	NAVGAS Pty Ltd	100	8280	$0	**$26,644**	$2,180,000	Application value only
PELA 602	NAVGAS Pty Ltd	100	9593	$0	**$26,722**	$2,180,000	Application value only
PELA 631	NAVGAS Pty Ltd	100	5272	$0	**$37,420**	$2,180,000	Application value only
Queensland							
ATP 1183	NAVGAS PTY LTD	100	992	$104,901	**$9,820,836**	$13,260,000	***Transaction value preferred, Total proposed expenditure $13,260,00, subject to block commitments remaining in good standing, high expenditure bid required to secure high prospectivity block.***
Total				**$104,901**	**$9,991,554**	**$26,340,000**	

As the proposed transaction involves the issue of Lakes Oil NL shares, the value of Lakes Oil's petroleum interests were also assessed and SRK provides the following estimations (**Table ES-2**). SRK note that only Wombat Field was assessed for PRL2 as the data for the other potential field developments requires detailed evaluation of large data sets to be meaningful. It is important to note that if any successful field development is achieved at Wombat then the incremental value of nearby additional Resources (Trifon and Gangell) will be significant.

Table ES-2: Summary of the tenure values of Lakes Oil blocks

Tenement Number	Tenement holder	Lakes Oil NLinterest %	Area km^2	Low Value	SRK Preferred value	High Value	Notes
Victoria							
PEP163	Mirboo Ridge Pty Ltd	100	542	$498,852	**$1,513,257**	$2,330,000	Average preferred
PEP166	Petro Tech Pty Ltd	75	1754	$4,560,000	**$6,271,218**	$6,405,928	Average preferred
PEP167	Mirboo Ridge Pty Ltd	100	408	$1,903,911	**$3,683,144**	$5,462,378	Average preferred
PEP169	Mirboo Ridge Pty Ltd	49	1135	$2,595,523	**$3,302,170**	$4,008,816	Average preferred
PEP175	Mirboo Ridge Pty Ltd	100	1326	$366,859	**$3,275,593**	$6,184,327	Average preferred
VIC P43(V)	Petro Tech Pty Ltd	100	91	$17,168	**$219,922**	$422,677	Average preferred
VIC P44(V)	Petro Tech Pty Ltd	100	237	$16,168	**$561,622**	$1,107,077	Average preferred
PRL2	Petro Tech Pty Ltd	100	746	$11,265,441	**$50,050,908**	$318,000,000	Expenditure preferred
PRL3	Petro Tech Pty Ltd	100	124	$578,498	**$2,105,000**	insufficient data	Expenditure preferred
Queensland							
ATP 642	Eoil Pty Ltd	100	7808	$653,001	**$1,550,000**	$50,225,518	Lower prospectivity acreage, acquisition cost of AU$1,128,000
ATP 662	Eoil Pty Ltd	100	2486	$658,486	**$1,380,000**	$15,993,097	
California							
Eagle	Strata-X Inc	17.964	na	$0	**$153,970**	$3,861,148	Unlikely commercial
Total				**$23,113,908**	**$74,066,804**	**$414,000,964**	

Disclaimer and Disclosures

The opinions expressed in this Report have been based on the information provided by Lakes Oil NL (Lakes Oil) and NavGas Pty Ltd (NavGas). The opinions in this Report are provided in response to a specific request from DMR Corporate to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from this review are entirely reliant on the accuracy and completeness of the supplied data.

The statements made in this report are the informed judgements of the authors but also subject to the uncertainties associated with the interpretation of geological, geophysical and other subsurface data. The authors have taken all reasonable care to conduct an assessment within the scope of the work. The results and interpretations will be subject to variation as new information becomes available. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

Neither SRK nor any of the authors of this Report has any beneficial interest in the outcome of the technical assessment presented. SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

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List of Abbreviations

Abbreviation	Meaning
AU$	Australian dollars
AAPG	American Association of Petroleum Geologists
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
BCF	Billions of cubic feet
CBM	Coal bed methane
CSG	Coal seam gas
DCF	Discounted cash flow
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
E&P	Exploration and Production
EUR	Estimated Ultimate Recovery
FDP	Field Development Plan
Fm	Formation
Km	Kilometres
km²	Square kilometres
m	Metres
MCFD	Thousands of cubic feet per day
mD	Millidarcies
MIN	Mining exploration licence and lease
MM	Million
MMBO	Millions barrels oil
MMBOE	Millions barrels oil equivalent
MMCF	Millions of cubic feet
MMCFD	Millions of cubic feet per day
OGIP	Original gas-in-place
PEP	Petroleum exploration permit
PELA	Petroleum exploration licence application
PPL	Petroleum production licence
PRL	Petroleum retention licence
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
SRK	SRK Consulting (Australasia) Pty Ltd
TCF	Trillion cubic feet (10^9)
TD	Total depth
WPC	World Petroleum Council
USGS	United States Geological Survey
US$	US dollar
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports

Statement of Competency

Dr Bruce Alan McConachie

Dr Bruce Alan McConachie is a geologist with extensive experience in economic resource evaluation and exploration. His career spans over 30 years and includes production, development and exploration experience in petroleum, coal, bauxite and various industrial minerals.

Work history includes:

- **Comalco: 15 years (Rio Tinto-Alcan)** - Chemist, Mine Geologist, Planning Engineer, Senior Geologist and Team Leader (Petroleum Group)
- **Australian Geological Survey Organisation / Bureau of Mineral Resources**: 2½ years (Geoscience Australia) - Senior Research Scientist (Petroleum Systems Petrel Sub-basin Project)
- **Santos:** 7 years - Senior Geologist, Team Leader and Chief Geologist – Indonesia
- **BHP Billiton**: 2½ years - Global Bauxite Commodity Specialist and Manager Bulk Commodities
- **SRK Consulting**: 8 years – Principal Consultant (Manager Petroleum Group)

Experience:

Extensive relevant experience covering petroleum exploration programs, joint venture management, farmin and farmout deals, onshore and offshore operations, field evaluation and development, oil and gas production and economic assessment, and relevant experience assessing petroleum resources under the PRMS code and mineral commodities under the JORC code.

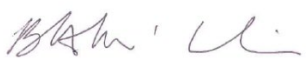
Industry Group Memberships:

- The Australasian Institute of Mining and Metallurgy (AusIMM) – 30 Years
- American Association of Petroleum Geologists (AAPG) – 11 Years
- Petroleum Exploration Society Australia (PESA) and
- Society of Petroleum Engineers (SPE).

Qualifications:

- Graduate degrees in geology and analytical chemistry
- Master of Applied Science by research and thesis on the coal geology of the Bowen Basin, Queensland
- Doctor of Philosophy by dissertation on foreland and fold belt basin analysis to characterise petroleum and mineral systems and deposits

I am a full-time employee of SRK Consulting and am an experienced petroleum reserves and resources estimator with over 15 years' relevant experience. I have adhered to the ASX Listing Rules Guidance Note 32. My qualifications and experience meet the requirements to act as a Competent Person to report petroleum reserves under PRMS (2007) and value assets under the VALMIN Code (2015).



Dr Bruce Alan McConachie

1 Introduction

Mr Paul Lom of DMR Corporate (DMR) has requested SRK Consulting Australasia Pty Ltd (SRK) to prepare an Independent Specialist Report incorporating a technical assessment and valuation of the petroleum interests of NavGas Pty Ltd (NavGas) and Lakes Oil NL (Lakes Oil). SRK understand that this report may be included as an appendix to DMR's Independent Expert's Report (IER) relating to a potential transaction involving NavGas' petroleum assets located in Queensland and South Australia.

NavGas is a subsidiary company of Australian Securities Exchange (ASX) listed company, Dark Horse Resources Limited (OHR) (92.78%) and two individuals (3.22% total). NavGas currently holds a 100% interest in a single granted Authority to Prospect (ATP) for petroleum in Queensland and six Exploration Licence applications (PELA) known as the Pirie Torrens Project in South Australia (**Figure 1-1**), which are to be acquired by Lakes Oil.

As the transaction involves the issue of Lakes Oil NL shares, the value of Lakes Oil petroleum assets, which are located in Victoria and Queensland (**Figure 1-2**), was also assessed.

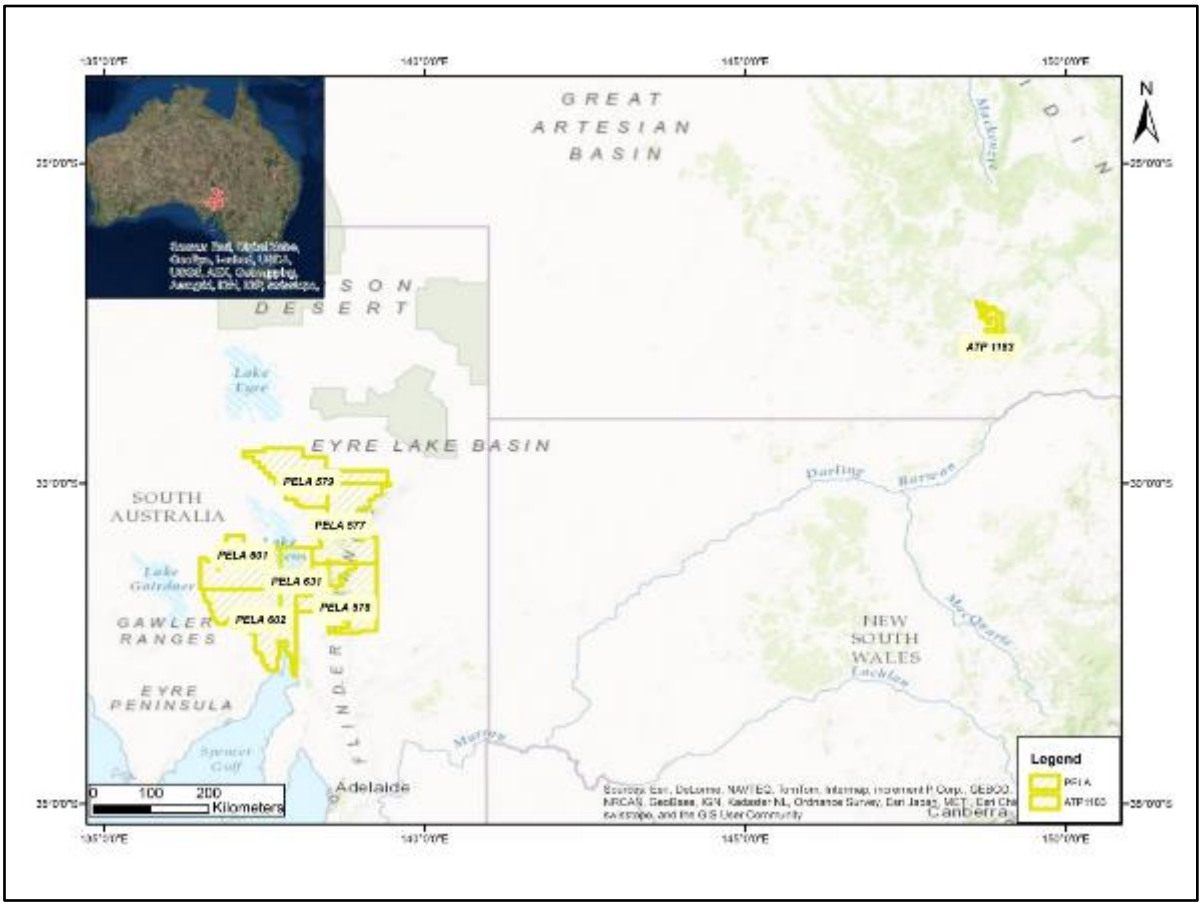


Figure 1-1: Location of NavGas permits in South Australia and Queensland

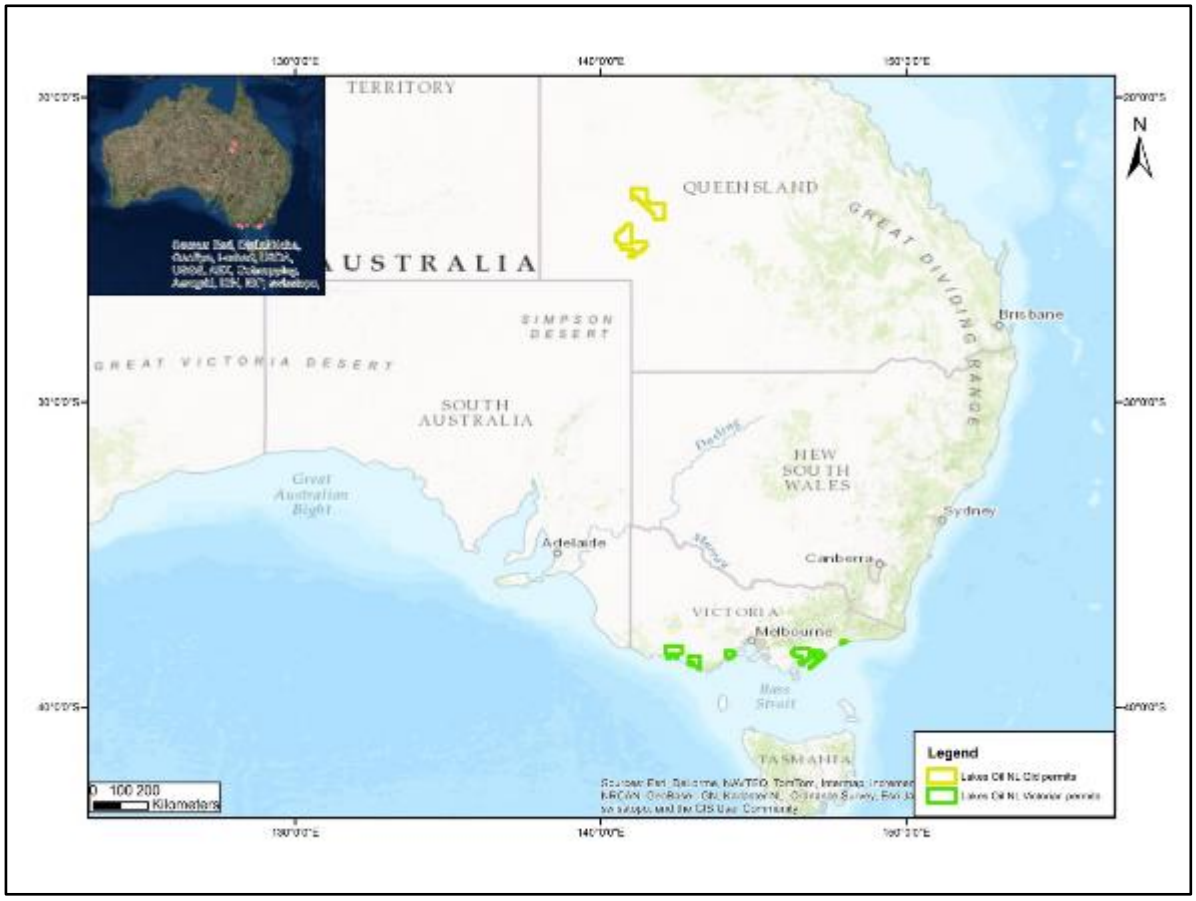


Figure 1-2: Location of Lakes Oil's Victorian and Queensland permits

1.1 Statement of SRK Independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with NavGas and Lakes Oil concerning the petroleum assets that are the subject of this report. SRK has no beneficial interest in the outcome of the technical assessment or valuation being capable of affecting its independence.

SRK's fee for completing this report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

1.2 Program objectives

This Specialist Report and associated valuation has been prepared by SRK under instructions from DMR. It complies with the technical property information required under various securities laws of Australia.

SRK has prepared this Specialist Report under the guidelines of the JORC and VALMIN Codes. The VALMIN Code (2015) incorporates the JORC Code (2012) for the reporting of Exploration Results, Mineral Resources and Ore Reserves.

As per the VALMIN Code (2015), a first draft of the report was supplied to DMR, NavGas and Lakes Oil to check for material error, factual accuracy and omissions before the final report was issued. SRK's scope of work was limited to the second draft of the report after a round of edits by DMR, NavGas and Lakes Oil. The final report was issued following review of any client comments by the project team.

SRK has selected the most appropriate valuation technique for the assets, based on the development stage of the projects and the amount of available information. This Specialist Report expresses an opinion regarding the value of certain mineral assets held by NavGas or Lakes Oil as directed in our mandate from DMR. This report does not comment on the 'fairness and reasonableness' of any transaction between the project's owners and any other parties.

1.3 Reporting standard

This Specialist Report has been prepared to the standard of, and is considered by SRK to be a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). It should be noted that the authors of this Report are Members of either the Australasian Institute of Mining and Metallurgy (AusIMM) and, as such, are bound by both the VALMIN and JORC Codes. For the avoidance of doubt, this report has been prepared according to:

- The 2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets ("VALMIN Code"); and
- The 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

Where SRK has relied on estimates for its valuation, SRK has quoted the Competent Person for these estimates as reported in publicly available documentation.

For the purposes of this report, value is defined as 'market value' being the amount of money (or the cash equivalent of some other consideration) for which a mineral asset should change hands on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion.

1.4 Work program

The Project commenced in mid-October 2016, with a review of existing remote electronic company data and other information sourced by SRK from literature and company websites as well as using subscription databases such as SNL Financial database services. SRK consultants worked through the relevant databases, compiled the report and completed research on comparable market transactions to assist with the valuation.

SRK notes that the VALMIN Code (2015) recommends that a site inspection be completed should it be 'likely to reveal information or data that is material to the report'. A site visit was not undertaken for the purposes of this report, given the current pre-development status of the assets and the level of infrastructure in place, there was little perceived benefit in undertaking a site visit.

SRK carried out the following work program:

- Review awarded 11 October 2016;
- Submission of first draft 24 October 2016;
- Submission of final draft 27 October 2016;
- Submission of revised final report 8 December 2016.

1.5 Legal matters

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations in regards to the ownership and legal standing of the mineral tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

SRK has relied upon Government databases with regard to the validity of Lake Oil's licences.

SRK has also relied upon Government databases with regard to the validity of NavGas's licences.

Furthermore, SRK has sighted documentation supplied by relevant Government Agencies or prepared for previous exercises (i.e. other technical reports) that indicate that NavGas and Lakes Oil have legal rights to the petroleum and gas, which are the subject of this report. SRK has relied on the accuracy and completeness of the technical documentation supplied to it by NavGas and Lakes Oil. SRK has made all reasonable enquiries.

1.6 Key sources of data

Data and information on the assets used to prepare this report are referenced throughout the report.

1.7 Effective date

The effective date of this Independent Specialist Report is 8 December 2016. The valuation is current as at 15 October 2016.

1.8 Project team

This report has been prepared based on a technical review by a team of consultants sourced from SRK's offices in Australia. Details of the qualifications and experience of the consultants who have carried out the work in this report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

- Dr Bruce McConachie, Principal Consultant MAusIMM MAAPG MSPE
- Ms Anargul Kushkarina, Petroleum Engineer BSc(Hons), MSc, SPEC, MSPE, MFESQ
- Mr Lucas McLean Hodgson, Petroleum Geologist BSc, MPESA, MAAPG
- Mr Jeames McKibben, Principal Consultant (Project Evaluation), BSc(Hons), MBA, MAusIMM(CP), MAIG, MRICS – Peer review.

1.9 Limitations

SRK's opinion contained herein is based on information provided to SRK by NavGas and Lakes Oil throughout the course of SRK's investigations as described in this report, which in turn reflect various technical and economic conditions at the time of writing. Such technical information as provided by NavGas and Lakes Oil was taken in good faith by SRK. SRK has reviewed the stated resources/reserves but not independently verified the Petroleum Resources by means of recalculation.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by NavGas and Lakes Oil was complete and not incorrect, misleading or irrelevant in any material aspect.

NavGas and Lakes Oil have confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of its knowledge and understanding, the information provided by them, was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.10 Indemnities

As recommended by the VALMIN Code (2015), NavGas and Lakes Oil have provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- Which results from SRK's reliance on information provided by either NavGas or Lakes Oil or these parties not providing material information; or
- Which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.11 Consent

SRK consents to this report being included, in full, in DMR's documents in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this report are considered with, and not independently of, the information set out in the complete report.

1.12 Consulting Fees

SRK's estimated fee for completing this report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$38,000. The payment of this professional fee is not contingent upon the outcome of the report.

2 Methodology and Issues

2.1 Project planning

Project planning considered the following:

- The desktop nature of this project;
- A geotechnical assessment of the exploration and production potential based on standard and best practice on each petroleum exploration and retention licence;
- An evaluation of each petroleum exploration licence based on the geotechnical assessment together with valuation methods applied;
- Issues related to expenditure compliance and work program reporting relevance.

2.2 Geotechnical Assessment Criteria

The objective of the geotechnical assessment was to understand all exploration licences based on the potential of successful exploration. An important distinction was to identify licences with defined Prospective Resources and Contingent Resources.

2.3 Valuation methods

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Petroleum in connection with that Tenure.

For this valuation, all projects were classified according to the development stage categories (VALMIN Code (2015):

- **Early Stage Exploration Projects –** Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **Advanced Exploration Projects –** Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- **Pre-Development Projects –** Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.

- **Production Projects** – Tenure holdings - particularly mines, wellfields and processing plants that have been commissioned and are in production.

The valuation is current as at **15 October 2016** and the monetary amounts are expressed in United States dollars (US$) and Australian dollars (AU$) as specified throughout the report. The final valuation is expressed in AU$ terms.

The three generally accepted Valuation approaches, as listed and defined in the CIMVAL Code (2003) are:

- Income Approach (NPV Valuation)
- Market Approach; (Comparative Transactions)
- Cost Approach (Book Value).

The Income Approach is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property (CIMVAL, 2003). Valuation methods that follow this approach include Discounted Cash Flow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods. The Geological Risk Method also falls within this category.

Using the **income approach** the capital and operating costs are discounted against revenue during the life of the project. Under the **market value approach**, an entity is compared to similar market transacted properties. To choose the **book value approach**, the audited financial report needs to have been prepared in accordance with accounting standards and have been audited in accordance with auditing standards.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, MTR and option or farm-in agreement terms analysis.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the Mineral Property. Geoscience ratings methods are also considered to fall within this category, as the state of knowledge of an area is often a factor of the effort expended on exploration.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the property, and hence the amount and quality of the information available on the mineral potential of the property. **Table 2-1** presents CIMVAL's view on the applicability of the various valuation approaches for the valuation of mineral properties at the various stages of exploration and development.

Table 2-1: Suggested asset valuation approaches for different types of mineral properties (CIMVAL)

Valuation approach	Exploration properties	Mineral Resource properties	Development properties	Production properties
Income	No	In some cases	Yes	Yes
Market	Yes	Yes	Yes	Yes
Cost	Yes	In some cases	No	No

Source: (CIMVAL Code, 2003)

The Market approach to valuation is commonly the most suitable approach for valuation of an Exploration Property, a Mineral Resource Property or a Pre-Development Project.

The use of income-based methods, such as DCF modelling, is generally preferred in situations where Mineral Reserves, supported by suitably detailed mining studies, have been declared.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Fair Market Value (defined below) of mineral assets, using market derived data.

The VALMIN Code (2005) has long been accepted in Australia as a reliable guide to use for petroleum and mineral property valuations. An enhanced and more detailed new edition was released for use in January 2016, VALMIN (2015). The VALMIN Code is suggested as a guide to good practice for Public Reporting of technical assessments and valuations of Petroleum Assets. VALMIN (2015) to Chapter 5 of the ASX Listing Rules for requirements on reporting of Petroleum assets in Australia.

VALMIN (2015) uses the term Market Value. It has the same intended meaning and context as the IVSC term of the same name. This has the same meaning as Fair Value in RG111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The **"Fair Market Value"** is defined in the VALMIN Code 2015 as, in respect of a petroleum or mineral asset, the amount of money (or the cash equivalent of some other consideration) determined by the relevant expert in accordance with the provisions of the VALMIN Code 2005 for which the mineral asset should change hands on the relevant date in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion. The Fair Market Value is usually comprised of two components, the underlying Technical Value (defined below) of the mineral asset, and a premium or discount related to market, strategic or other considerations.

A premium is commonly justified if ongoing progressive exploration success occurs because of the de-risking work undertaken. For example, undertaking a three dimensional (3D) seismic geophysical survey that demonstrates a closed conventional target. New work might also show an old well drilled at a location mapped off two dimensional (2D) seismic geophysical data is outside closure thus explaining why the old well was dry and failed to encounter commercial hydrocarbons. By this process, exploration money is expended, however the prospectivity of the block is improved and the chance of success when drilling a new well is increased, thereby improving the value of the permit.

Under VALMIN Code (2015) the term, Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

The **"Technical Value"** is defined in the VALMIN Code 2005 as an assessment of a petroleum or mineral asset's future net economic benefit at the valuation date under a set of assumptions deemed most appropriate by a relevant expert or specialist, excluding any premium or discount to account for such factors as market or strategic considerations.

Valuation methods are, in general, subsets of valuation approaches and for example the Income Based Approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb considered suitable only to benchmark valuations completed using primary methods.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

Valuations for permits can be undertaken by several methods, as follows:

- ***Valuation of proven assets***: Net Present Values (NPV) based on Proven and Probable (2P) Reserves and progressive utilisation of (Proven, Probable and Possible) 3P and Contingent Resources. The valuation can be a bench-mark for valuations in exploration permits that do not have currently Proven Reserves;
- ***Expenditure method***: the expenditure method promotes fair market valuations based on progressive exploration success; and
- ***Comparative transactions***: this method addresses the land values of acreage previously farmed-out.

2.4 Victoria – Fracking and Drilling Moratoria and Exploration activity approvals on-hold (Lakes Oil NL onshore Victoria blocks)

At present, the Victorian unconventional oil and gas industry is at a very early stage. It is not yet known whether there is any commercial coal seam gas (CSG) or shale gas in Victoria, but previous work has demonstrated there is some potential for shale gas and coal bed methane (CBM)/CSG (reported in SRK, 2011 and MHW, 2014).

In August 2012, the Victorian Government introduced a moratorium on the grant of any new exploration licences for CSG granted under the *Mineral Resources (Sustainable Development) Act 1990*. In addition, the Government also placed a hold on approvals to undertake hydraulic fracturing as part of onshore gas exploration, and a ban on the use of BTEX chemicals (benzene, toluene, ethylbenzene and xylene), which was subsequently legislated in 2014. In 2013, the moratorium was extended to cover all new onshore gas exploration licences, while water science and community engagement programs were underway. In 2014, the former Minister announced that the moratorium would now include exploration drilling.

The parts of Victoria with the highest potential for unconventional gas are the Gippsland and Otway Basins. Notably, gas and liquids in Lakes Oil's petroleum retention lease (PRL2) have been produced on test from vertical wells with, and without, fracture stimulation from tight sands near Seaspray in Gippsland but no further work has been carried out to prove commerciality due to the fracking moratorium.

On 30 August 2016, the Victorian Government announced a permanent ban on the exploration and development of all onshore unconventional gas in Victoria. This includes hydraulic fracturing, coal seam gas, and additionally there is an extension the ban on conventional gas exploration until mid-2020.

Political risk associated with the current Victorian onshore drilling and fracture stimulation ban is simply unknown and has not been assessed by SRK in preparing this report.

3 Geotechnical Assessment

3.1 NavGas' Petroleum Exploration Permits

3.1.1 Petroleum Exploration Permit Applications (PELAs), South Australia

NavGas has applied for six PELAs in the central Flinders Ranges of South Australia (**Table 3-1**). The location of these tenements is presented in **Figure 3-1**. This area is considered by NavGas to offer shale gas potential within the Neoproterozoic Tindelpina Shale, a basal carbonaceous unit within a shoaling upwards sequence of interglacial sediments separating the Sturtian and Marinoan glaciations (**Figure 3-2**).

Table 3-1: Summary details of NavGas' PELAs in South Australia

Permit application	Date lodged	Applicant	Area km²
PELA 577	16/04/2014	NAVGAS Pty Ltd	9,671.50
PELA 578	29/09/2011	NAVGAS Pty Ltd	9,343.70
PELA 579	29/09/2011	NAVGAS Pty Ltd	9,902.30
PELA 601	14/11/2011	NAVGAS Pty Ltd	8,279.60
PELA 602	14/11/2011	NAVGAS Pty Ltd	9,593.00
PELA 631	3/06/2013	NAVGAS Pty Ltd	5,271.50

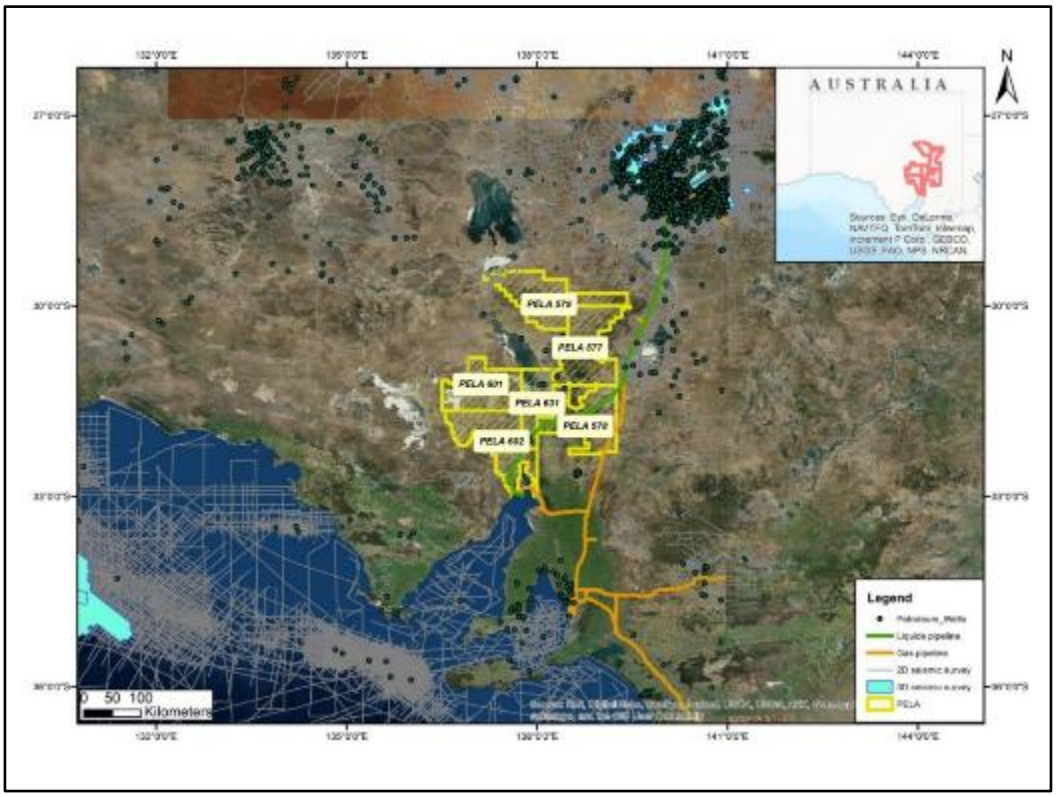


Figure 3-1: Petroleum exploration permit applications (PELAs), South Australia

The PELAs are located within the Arrowie Basin.

Structural setting. Carbonate and clastic units of the Arrowie Basin were deposited at tropical latitudes on the eastern seaboard of the Gawler Craton from the Early to mid-Late Cambrian. These deposits disconformably overlie Neoproterozoic strata of the Adelaide Geosyncline.

The Arrowie Basin comprises four major structural components: (i) thin flat-lying cover on the Stuart Shelf; (ii) faulted slices of unknown thickness in the structurally complex Torrens Hinge Zone between the Stuart Shelf and Flinders Ranges; (iii) thick, but dispersed, outcrops in the ranges; and (iv) a synclinorium bisected by the Proterozoic Benagerie Ridge located between the Flinders and Barrier Ranges in western New South Wales.

The structural style in the Torrens Hinge Zone, west of the Flinders Ranges, is poorly known due to an absence of useful seismic geophysical data coverage.

The Yalkalpo Syncline east of the Benagerie Ridge appears to be a simple north-plunging depression. The Moorowie Syncline is terminated to the north by faulted basement; beneath Lake Frome, a major north-south trending wrench complex (Poontana Fracture Zone) extends through the syncline.

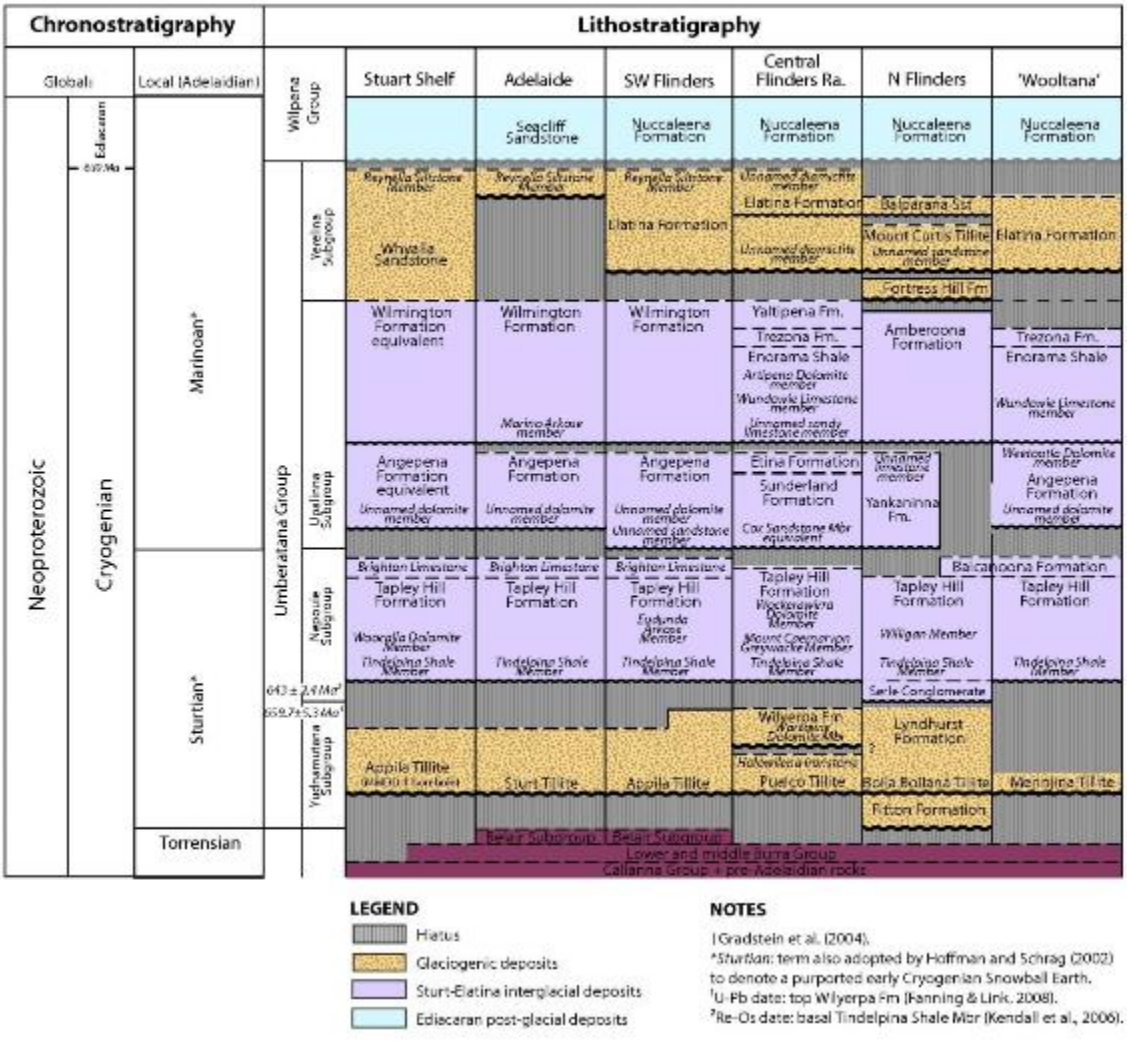


Figure 3-2: Regional lithostratigraphy of the area (Le Heron and Craig (2013) in Bubendorfer, 2013)

Exploration history. Petroleum exploration activities over the area commenced in 1956 with the Wilkatana drilling program by Santos. Thirteen of the 20 wells completed intersected Early Cambrian carbonates and paraffinic oil shows were reported from several drillholes (note: the Wilkatana drillholes have been counted as 'one well' in the statistics panel).

Subsequent drillholes in the Torrens Hinge Zone, west of the Flinders Ranges (Motpena 1, Edeowie 1), terminated in redbeds at about 1 km depth, but above the carbonate units, with the exceptions of Yarrah 1 (drilled in 1982 to twin the Wilkatana 1 drillhole) and Old Motpena 1 (drilled in 1983). These two wells reached Cambrian carbonates at 149 m and 315 m downhole depth respectively. Wells, Blinman 1 and 2, were drilled in 1990–91 for petroleum within and adjacent to a major diapiric structure in the central Flinders Ranges. Traces of gas were recorded from fractures in the Proterozoic Tapley Hill Formation in Blinman 2, while Blinman 1 terminated in a large diapiric raft with no shows.

The region east of the Flinders Ranges has been partly explored using seismic geophysical surveying, and four wells have been drilled: Lake Frome 1 to 3 in 1968 and Moorowie 1 in 1983. None of these holes intersected the principal carbonate reservoir at depth.

Geothermal focussed exploration in the Arrowie Basin has resulted in a resurgence in activity in both the western and eastern Arrowie Basin, with 13 wells being drilled in the Torrens Hinge Zone and 24 wells drilled in the Moorowie Syncline area since 2005. Over this same period, two seismic geophysical surveys were completed in the Torrens Hinge Zone and Stuart Shelf, and two further geophysical surveys shot in the Moorowie Syncline.

Geoscience Australia tagged the southern Arrowie Basin and northwestern Torrens Hinge Zone with the 2003–04 Curnamona Transects - L164 Survey. In early 2009, Geoscience Australia acquired another seismic transect linking the Gawler Craton, Arrowie Basin and Curnamona Province, as part of the Onshore Energy Security Project.

Source rocks. There is little information from the subsurface, as few wells have been drilled. The main source rock within PELAs 577 and 578 is the post-Sturtian (717 to 660 Ma) Tindelpina black shale. Within the applications held by NavGas, the Tindelpina/Elatina/Nuccaleena play appears to hold the most potential.

Reservoirs and seals. The Wilkawillina Limestone is strongly recrystallised and partly dolomitised, however the original fabric is discernible. Porosity is mainly vuggy and inter-crystalline. Solution breccia zones are thin and vugs are connected by hairline fractures.

Highstand clastics such as the Narina Greywacke and Mernmerna Formation grainflows and channel sands are worth considering as possible reservoirs.

Sandstone beds also occur in the Billy Creek Formation of the Moorowie and Yalkalpo synclines and secondary porosity may occur in altered ooid grainstones of the Wirrealpa Limestone. In the latter, porosity up to 11% and permeability up to 1.8 milliDarcy (mD) have been measured from core in Moorowie 1. Thin sands with trace oil fluorescence have also been recorded from the Moodlatana Formation of the Lake Frome Group. Younger sandstones however lack a regional seal.

Regional seals consist mainly of redbeds, micritic carbonate and evaporate units. Desiccated salinas and algal mudflats spread from the Stuart Shelf to the Benagerie Ridge forming a regional seal. The widespread Wirrealpa Limestone is a potential reservoir–seal couplet, where oolite (reservoir) is overlain by micrite.

Previous exploration work by Frontier Exploration Ltd in 1991 has shown the carbonaceous shales of the Neoproterozoic Tindelpina Shale Member of the Tapley Hill Formation in central east South Australia to be prospective for shale gas.

NavGas' PELA 577 is located on the Blinman Diapir and the northern extension of the Tapley Hill Formation. Along the eastern flank of the diaper, Drillhole Blinman-2 (total depth 2,031 m) intersected a complete section of the Neoproterozoic Tapley Hill Formation, where methane (~2,000 ppm) was encountered at a depth between 1,200 m and ~1,600 m. This methane is presumably sourced from fractures in the basal Tindelpina Shale Member (up to 1.1% total organic content (TOC), with a vitrinite reflectance of 1.9%). These results place this unit clearly in the gas window however, Frontier concluded that the reservoir quality is typically poor and fracture porosity is needed to make this diapir play prospective.

Regionally, this immediate area is considered prospective for shale gas area as the Tapley Hill Formation of the central Flinders Ranges attains its lowest maturity and is currently gas-prone. NavGas considers the area has considerable potential based on current economics and logistics of extracting gas from shale.

Risked Prospective Resources for the Tindelpina Shale within PELA578 estimated as 28 Tscf (best estimate) by Bubendorfer (2013). **Figure 3-3** shows the Tindelpina Shale Resource area.

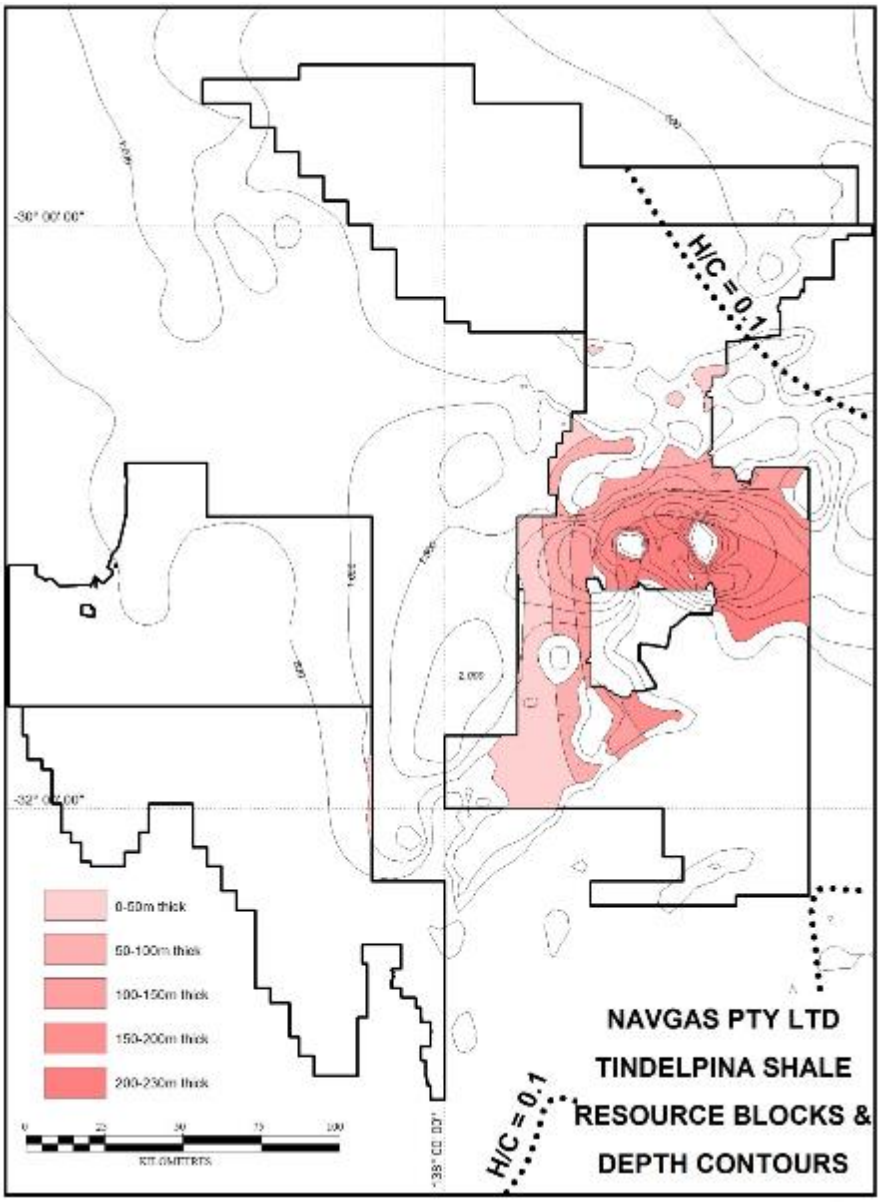


Figure 3-3: Tindelpina Shale Resource area (Bubendorfer, 2013)

NavGas' PELA579 is located south of BHP Billiton's Olympic Dam copper gold mine and includes the Cattle Grid deposit near Mount Gunson. A review of open file drillhole data reveals that the Woocalla Dolomite Member is widespread over the PELA, with the presence of black shale and depths of burial considered sufficient to place this unit in the gas window.

Within PELA631, live oil was discovered by Santos in Early Tertiary and Early Cambrian aged rocks. The source of this oil is currently unknown, but a Tindelpina Shale source may be possible. In addition, anomalous levels of methane in soils have been reported to the northeast.

Seismic line 08GA-A1 indicates a syncline fault bounded to the east has probable Tindelpina Shale underlying the application at approximately 1,980 m depth. As sediments appear to thicken into the syncline, greater thicknesses and organic carbon contents are possible.

A review of the shale gas potential of the five adjoining NavGas PELAs identified the Tindelpina Shale as offering potential to host unconventional gas resources within the 1,200 to 4,000 m economic depth window, with some possibility of identifying shallower resources that may nevertheless be economic.

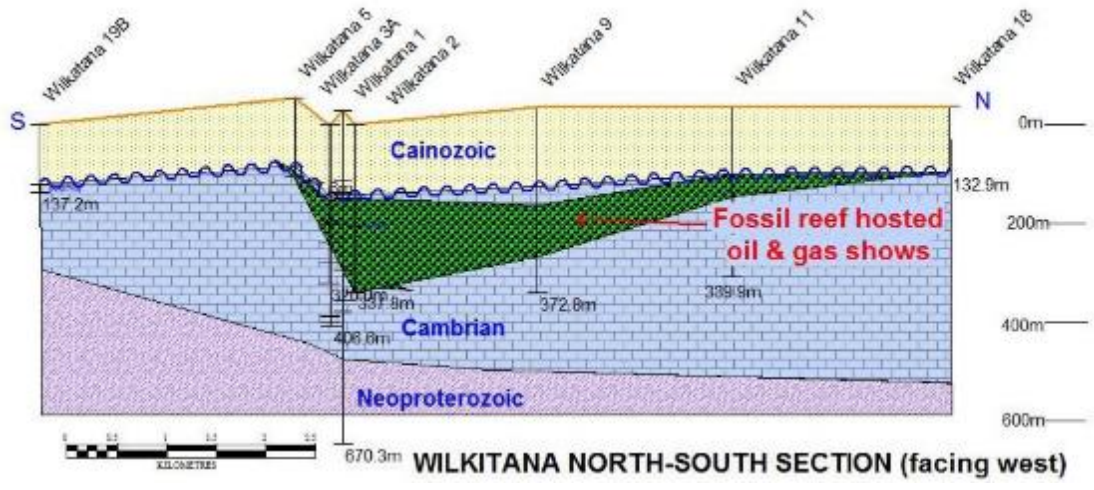
The presence of dry gas in soils in anomalous quantities, and the oil seeps at Wilkatana may point to the migration of hydrocarbons from the Neoproterozoic sequence, with the Tindelpina Shale a probable candidate. The presence of oil may indicate the section is not as mature as had been predicted.

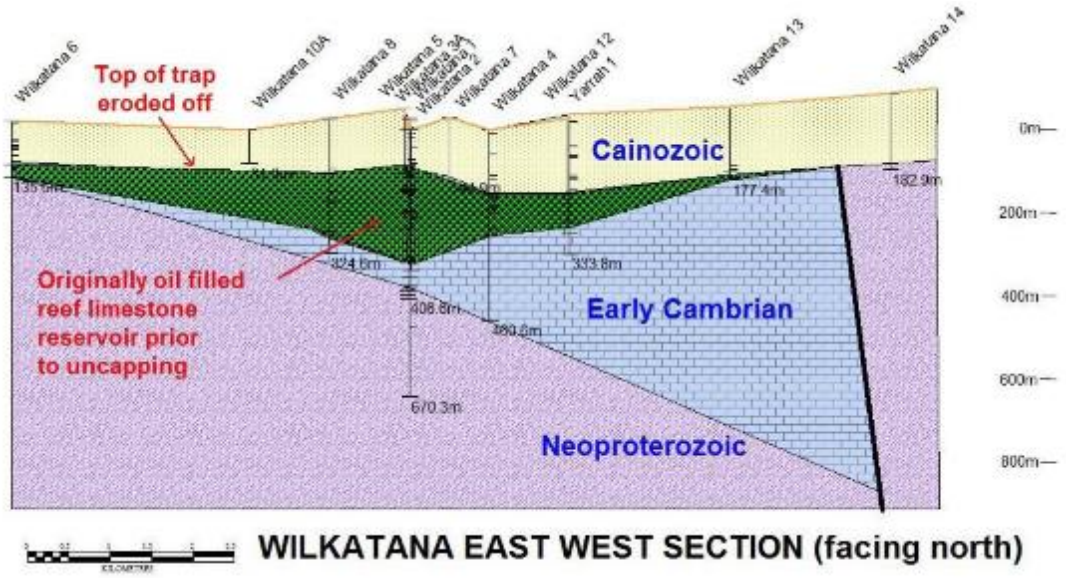
Previous drilling by Santos and Coho was confined to the conventional prospectivity of the lower Tertiary and Early Cambrian formation. NavGas has identified a possible conventional petroleum system of Nucaleena seal, Elatina reservoir, and Tindelpina source. Generation, migration and charge is likely to have taken place during the Delmarian Orogeny.

The Nucaleena is a regional carbonate cap predicted to be a potential seal, the Elatina is a good reservoir in waterbores, and the Tindelpina is a poor to fair source rock in known sampling but is likely to reach higher TOC than currently reported. According to McKirdy (2013), the Tindelpina Shale has generated significant hydrocarbons. An anticlinal structure is apparent in seismic, but is uncontrolled in the strike direction.

Figure 3-4 provides the Wilkatana cross section.

a)





b)

Figure 3-4: a) Wilkatana N-S cross section, b) Wilkatana E-W cross section (NavGas, 2016b)

3.1.2 Authority to Prospect (ATP1183), Queensland

In 2014, NavGas was successful in tendering for **ATP1183** (**Figure 3-5**) on the Roma Shelf in Queensland, which is considered highly prospective for oil, gas and condensate targets. The tenement surrounds the Riverslea Oil Field and Major Gas/Condensate Field. Details of ATP1183 is provided in **Table 3-2**.

Table 3-2: Summary of ATP, Surat Basin, Queensland

Permit	Date lodged	Date approved	Expiry date	Operator	Native title	Area km²
ATP1183	22/11/2013	12/06/2014	30/06/2020	NAVGAS PTY LTD	Native Title excluded	992.1

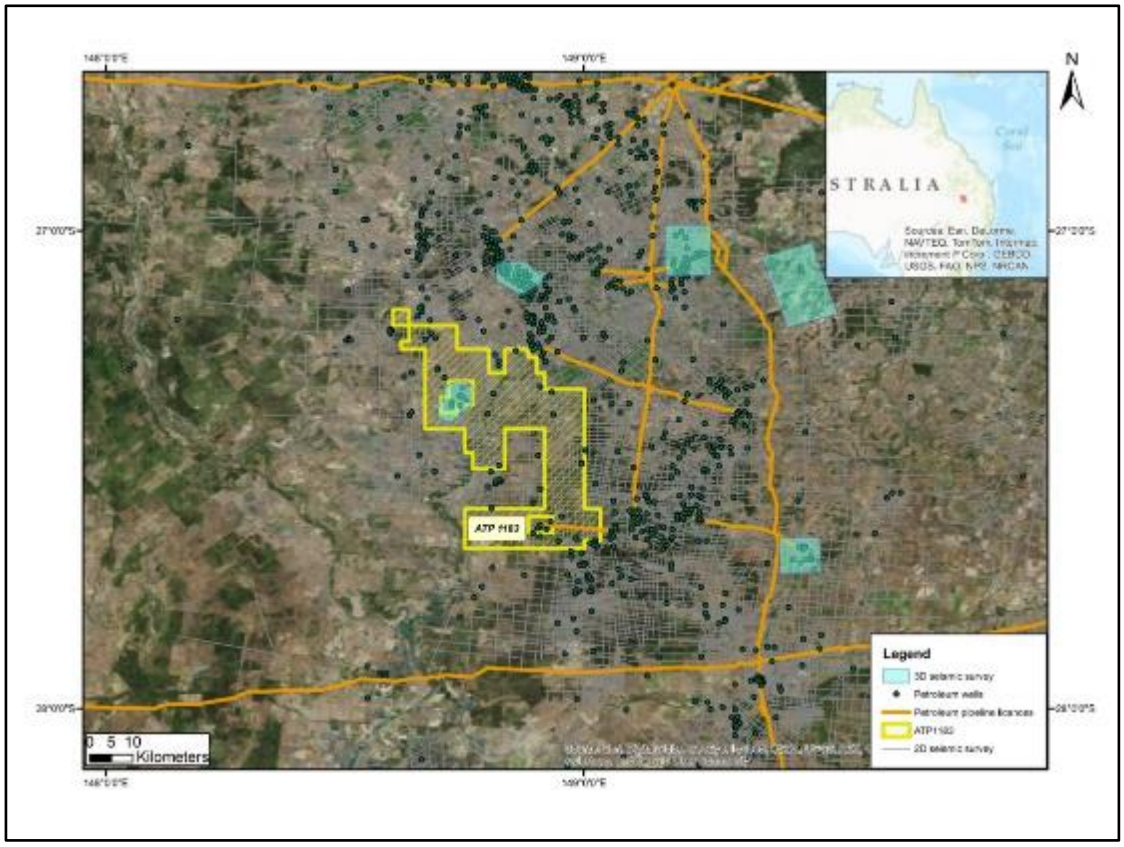


Figure 3-5: ATP1183, Surat Basin, Queensland

The Roma Shelf is underlain by a basement comprising Devonian Timbury Hills Formation metasediments; Permian-Carboniferous Roma Granite and the associated eruptive phase known informally as the 'Kuttung Volcanics'. The granites formed a low range of paleo-hills, with subdued rolling slopes falling away to the east and rounded broad interfluves, with more resistant rims forming semi-circular hills. To the west, lies higher ground, where metasediments formed a range of rapidly eroding steep hills with incised channels.

The general stratigraphy of the Surat Basin with hydrocarbon occurrences is presented in **Figure 3-6**.

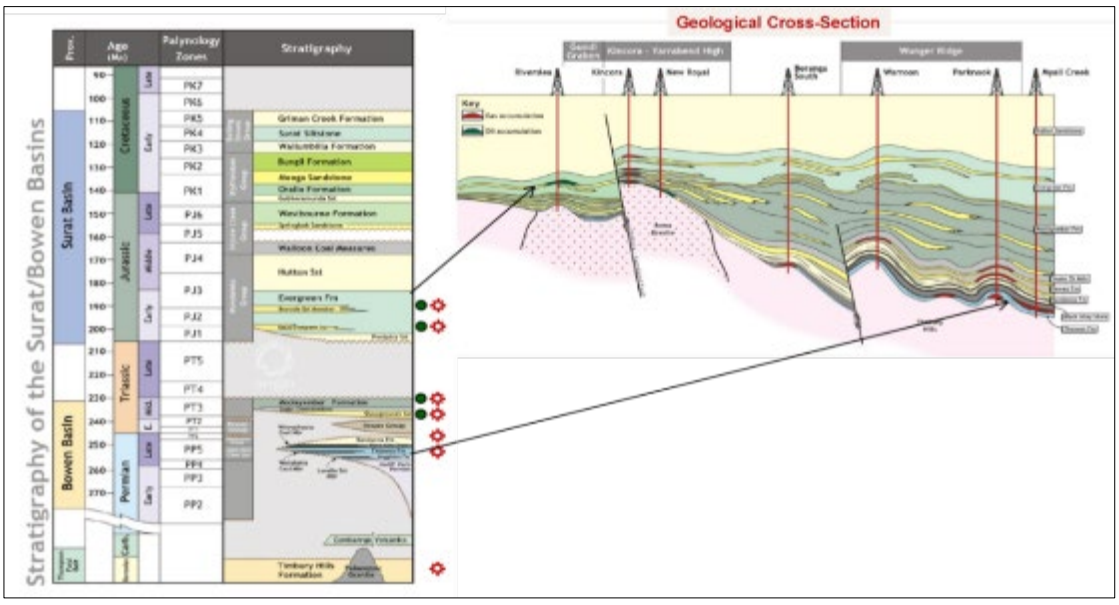


Figure 3-6: General stratigraphy of the Surat Basin

The principal reservoir units are the Triassic Showgrounds Sandstone, and the Jurassic Evergreen Formation. Moolayember sands form intraformational reservoirs, and are thought to have local distribution within otherwise tight formation.

The Snake Creek Mudstone forms a regional seal within the eastern half of the permit. This seal is absent in the western part, allowing hydrocarbons to spill out and migrate upwards through the section into Evergreen Formation reservoirs (**Figure 3-7**). Permian source rocks including Late Permian coals occur at depth to the east of the permit.

Most prospectivity is for oil or condensate, although gas accumulations remain a possibility. The entire area from Major to Boxleigh is interpreted to be a pool of condensate, which will have filled all available traps. The area northwest of the Snake Creek Mudstone seal pinch-out is interpreted to be prospective for oil moving up-section into Evergreen reservoirs.

In Wagoo-1, Moolayember organic contents reach 2.85% TOC, in dark grey brown-black shale cuttings. Values taken 20 m above and 20 m below this sample were 1.45% and 0.68% respectively. Descriptions from within the permit area suggest organic contents are lower, and formation is generally soft and gas response muted. Formation at Major South-1, Balonne River-1, and Thrupp-1 is reported to be hard, and may be sufficiently competent to allow extraction of unconventional oil. There are no indications of unconventional gas prospectivity, and although gassy Permian coals and shales are a theoretical possibility, only a tiny area is likely to occur within the permit.

Significant coal seams occur in the Walloon Coal Measures and Permian Blackwater coals. However, the Permian coals within the block are not significantly gassy on logs, the Walloons are only sporadically gassy and all coals are beyond current economic depths. There is considered to be no CSG potential within the bounds of current technology (NavGas, 2014).

Many exploration leads and plays have been identified within the permit (**Figure 3-8**). NavGas estimated Prospective Resources to be 251 Bscf (best estimate) of gas prone leads and 8.8 MMbbl of oil prone leads, with the biggest lead updip Wellesley-1 with gas shows having 41 Bscf (NavGas, 2016). SRK advises an estimated P10 - P90 range of

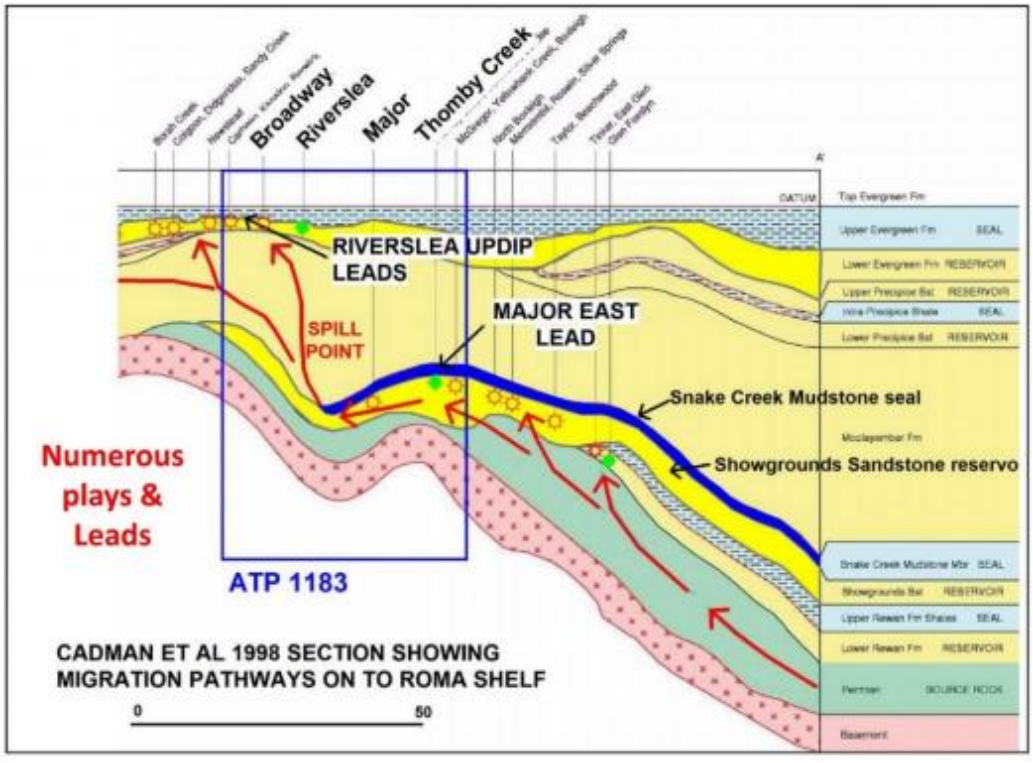


Figure 3-7: Migration pathways on to Roma Shelf (NavGas, 2015)

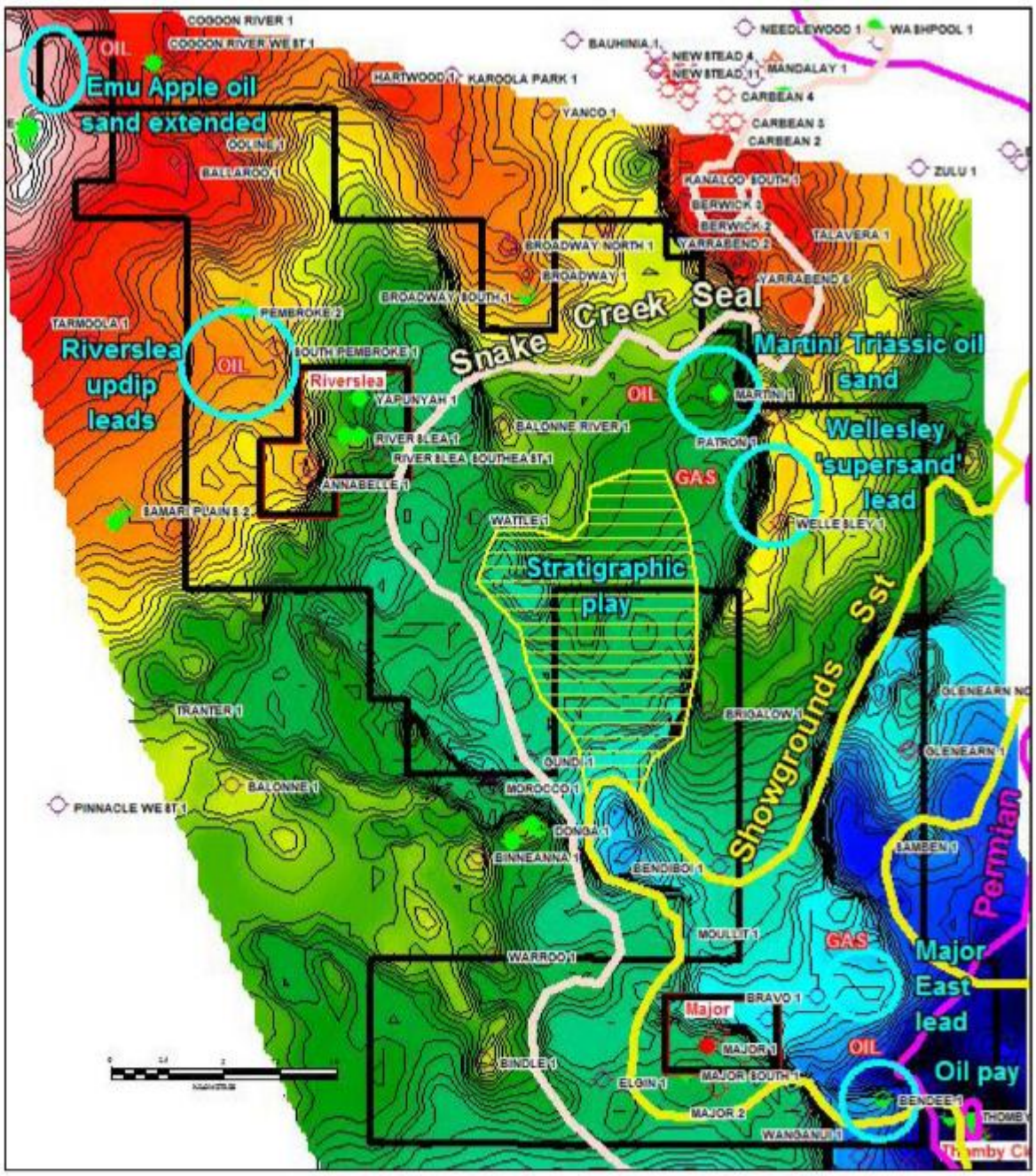


Figure 3-8: Mapped leads within ATP1183 (NavGas, 2016a)

3.2 Lakes Oil NL

Lakes Oil holds significant petroleum exploration and petroleum retention acreage in the Gippsland and Otway Basins of Victoria. The Gippsland and Otway Basins contain potential for both conventional and unconventional hydrocarbons that could be of high value but the resources have not been fully assessed for commerciality due to the restrictions applied by the moratorium. The unconventional hydrocarbon potential, particularly for tight gas and associated liquids could be very large with current 2C contingent resources estimated at 719 BSCF. Tight gas commonly occurs in deep basin settings much deeper than zones of water production.

In addition, the company has blocks in the Cooper/Eromanga Basins of central Queensland and has an interest in a block in California, USA.

3.2.1 Lakes Oil NL Tenure

A summary of each of Lakes Oil's permits is provided in **Appendix C**. The historic data and status are described to provide a context for the current desktop valuation.

3.2.2 Petroleum Exploration Permits (PEPs) and Retention Licences (PRLs), Victoria

Table 3-3: Summary of PEPs and PRLs in Victoria

Permit	Permit holder	Interest %	Date issued	Expiry date	Basin	Area km²
PEP163	Mirboo Ridge Pty Ltd	100	19/07/2002	18/10/2016	Otway	541.8
PEP166	Petro Tech Pty Ltd	75	3/01/2003	2/10/2016	Gippsland	1,753.8
PEP167	Mirboo Ridge Pty Ltd	100	2/07/2007	1/03/2019	Otway	408.1
PEP169	Mirboo Ridge Pty Ltd	49	25/06/2007	24/10/2016	Otway	1,135.4
PEP175	Mirboo Ridge Pty Ltd	100	18/04/2013	17/04/2019	Otway	1,325.6
PRL2	Petro Tech Pty Ltd	100	27/02/2007	26/02/2019	Gippsland	747.7
PRL3	Petro Tech Pty Ltd	100	27/02/2007	26/02/2017	Gippsland	123.8
Vic P43(V)	Petro Tech Pty Ltd	100	13/10/2014	12/10/2020	Gippsland	90.6
Vic P44(V)	Petro Tech Pty Ltd	100	13/10/2014	12/10/2020	Gippsland	237.3

Five Petroleum Exploration Permits (PEP), two offshore permits and two Petroleum Retention Licences (PRL) are located in onshore Victoria; four overlying the Otway Basin and five overlying the Gippsland Basin (**Figure 3-9**).

Lakes Oil (2016) holds a 100% interest in PRL2, with the exception of the Trifon and Gangell blocks, where Lakes Oil has a 57.5% interest and Jarden Corporation Australia Pty Ltd has a 42.5% interest. Lakes Oil's interest in PRL2 is subject to the outcome of discussions with Armour Energy Limited regarding Armour's purported exercise of an entitlement to match farm-in rights previously held by Beach Energy Limited and Somerton Energy (now Cooper Energy) Limited. Beach and Somerton withdrew from the farm-in agreement in August 2013, at which time they had a right to earn a net 15% interest in PRL2 by funding an AU$10 M programme of work. Lakes Oil and Armour have reserved their rights in relation to this matter, which is yet to be resolved.

Armour also had an option to acquire 50% of Lakes Oil's interests in the Trifon and Gangell blocks and a 25% interest in the remainder of PRL2 for a total payment of A$30 M. The option arrangement had a term of three years, which was extended while the term of the Victorian Government's onshore fraccing ban was uncertain.

Following the Victorian Government's announcement on 30 August 2016 that the ban will be made permanent, Lakes Oil has proposed that the option arrangement be terminated. As a consequence of the Victorian Government's onshore exploration ban, no exploration activity was undertaken within PRL2 during the financial year. Since the ban is to remain in place until mid-2020 in respect of conventional exploration within PRL2, exploration activity continues to be frustrated.

Absent of the Government's adverse decision regarding onshore gas exploration, Lakes Oil has made preparation for, and has sought approval to undertake, two important developments within PRL2. The first of these is drilling of the Wombat-5 well, a conventional directionally-drilled well that is to target the upper, more permeable section of the massive Strzelecki Formation. Based upon independent modelling, Lakes Oil is optimistic that the Wombat-5 well will achieve commercial rates of gas flow. The second proposed development is insertion of a pump into the Wombat-3 well to test its potential for production of oil; evidence of which was seen when the well was drilled.

Lakes Oil has in place Letters of Intent for supply of gas from the Wombat Gasfield to Simplot Australia Pty Ltd and Dow Chemical (Australia) Pty Ltd. The Letters of Intent were entered into in July 2014. The Victorian Government's adverse decisions regarding onshore gas exploration have frustrated Lakes Oil's ability to commence production of gas and realise a fair return for Shareholders.

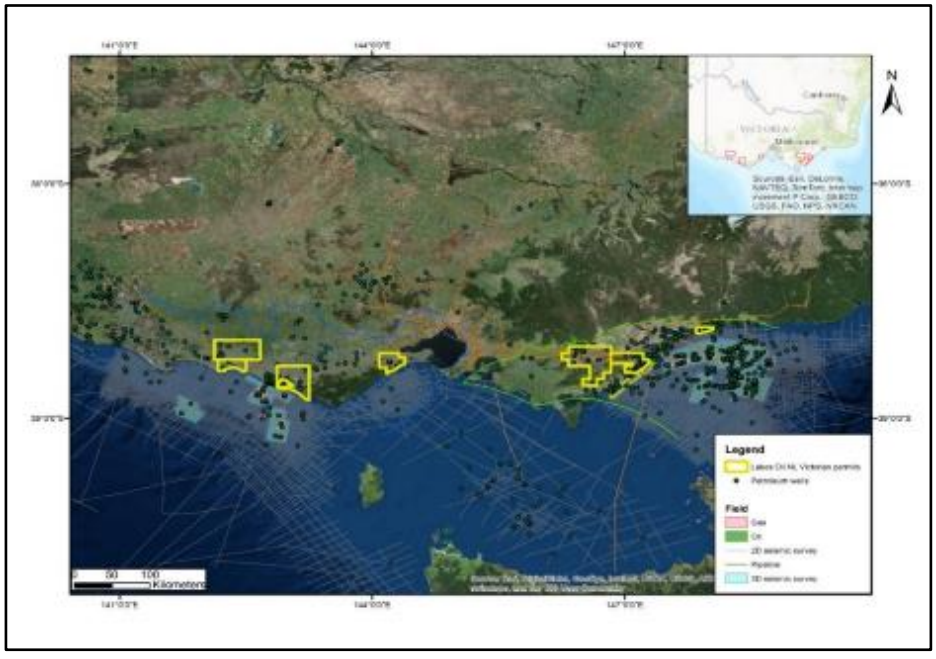


Figure 3-9: Oil and gas exploration licences (PEPs, PRLs and VicPs) located within the onshore Otway and Gippsland Basins, Victoria

The stratigraphy of the Otway and Gippsland Basins is presented in **Figure 3-10** and **Figure 3-11**. Much historical work has been undertaken to progressively understand this basin.

No large conventional gas accumulations have been found to date in the onshore Gippsland region. The Strzelecki Group, found across Gippsland, is the primary target for tight gas. It is possible that shale gas reservoirs exist within the tight Strzelecki Group sequence. There have been no discoveries of CSG to date and knowledge of the resource potential in Gippsland is extremely limited (Goldie Divko, 2015a).

Petroleum systems related to the Otway Basin are as follows:

Austral 1 petroleum system - Late Jurassic to earliest Cretaceous fluvio-lacustrine shales. The Austral 1 petroleum system is recognised as the source for most hydrocarbons in the western onshore Otway Basin.

Austral 2 petroleum system - Early Cretaceous fluvial and coaly facies. The Austral 2 system is recognised as the source for the majority of gas and minor oil discoveries made in the Otway Basin, aside from the Penola Trough.

Austral 3 petroleum system - Late Cretaceous to Earliest Tertiary fluvio-deltaic facies. Otway Basin hydrocarbons sourced from the Austral 3 system are uncommon to date.

In Victoria, all conventional gas production has come from the Waarre Formation, the basal unit of the Late Cretaceous Sherbrook Group. The Pretty Hill Formation may have conventional gas potential.

The Belfast Mudstone is a proven seal in the eastern part of the basin (i.e. the Port Campbell Embayment) (e.g. Mehin & Constantine, 1999 in Goldie Divko, 2015b), and along with the Paaratte Formation, has the widest distribution of all the Sherbrook Group units. The Flaxman Formation is also considered a sealing facies in part but is restricted in its distribution to the Port Campbell Embayment and the far western portion of the Portland Trough/Gambier Embayment onshore (Woollands & Wong, 2001 in Goldie Divko, 2015b).

The Eumeralla Formation is considered the primary target for tight gas and conventional production in the onshore Otway Basin. The Pretty Hill Formation may also be prospective for tight gas. The Casterton Formation is the most likely shale gas target in the Otway Basin.

The Early Cretaceous black coals of the Eumeralla Formation and the Tertiary brown coal seams of the Eastern View Group and Werribee Formation have been the focus of past coal seam gas exploration in the Otway region (Goldie Divko, 2015b).

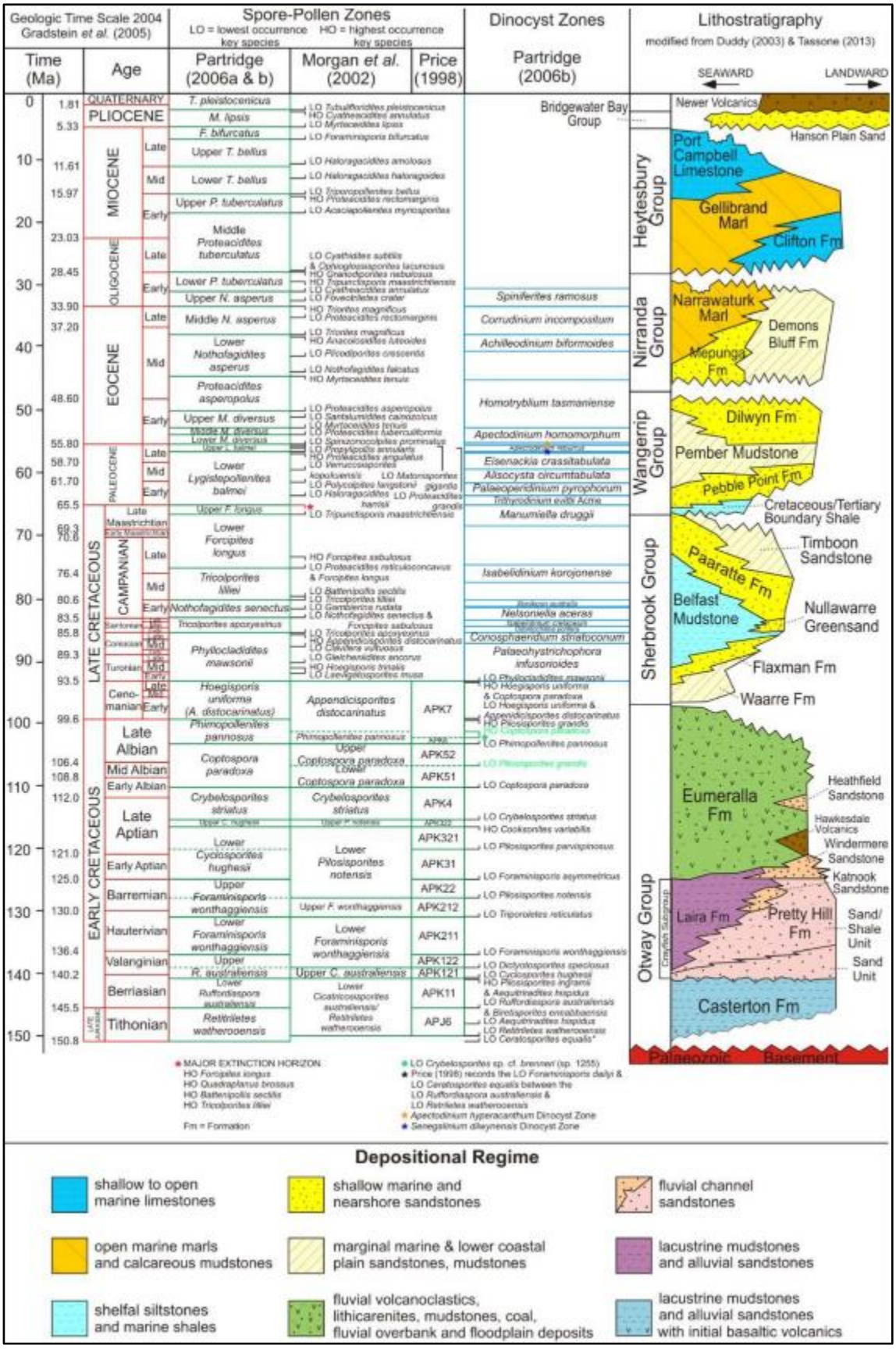


Figure 3-10: Otway Basin stratigraphy (Guzel, 2015 In Goldie Divko, 2015a)

The stratigraphy of the Gippsland Basin is presented in **Figure 3-11**.

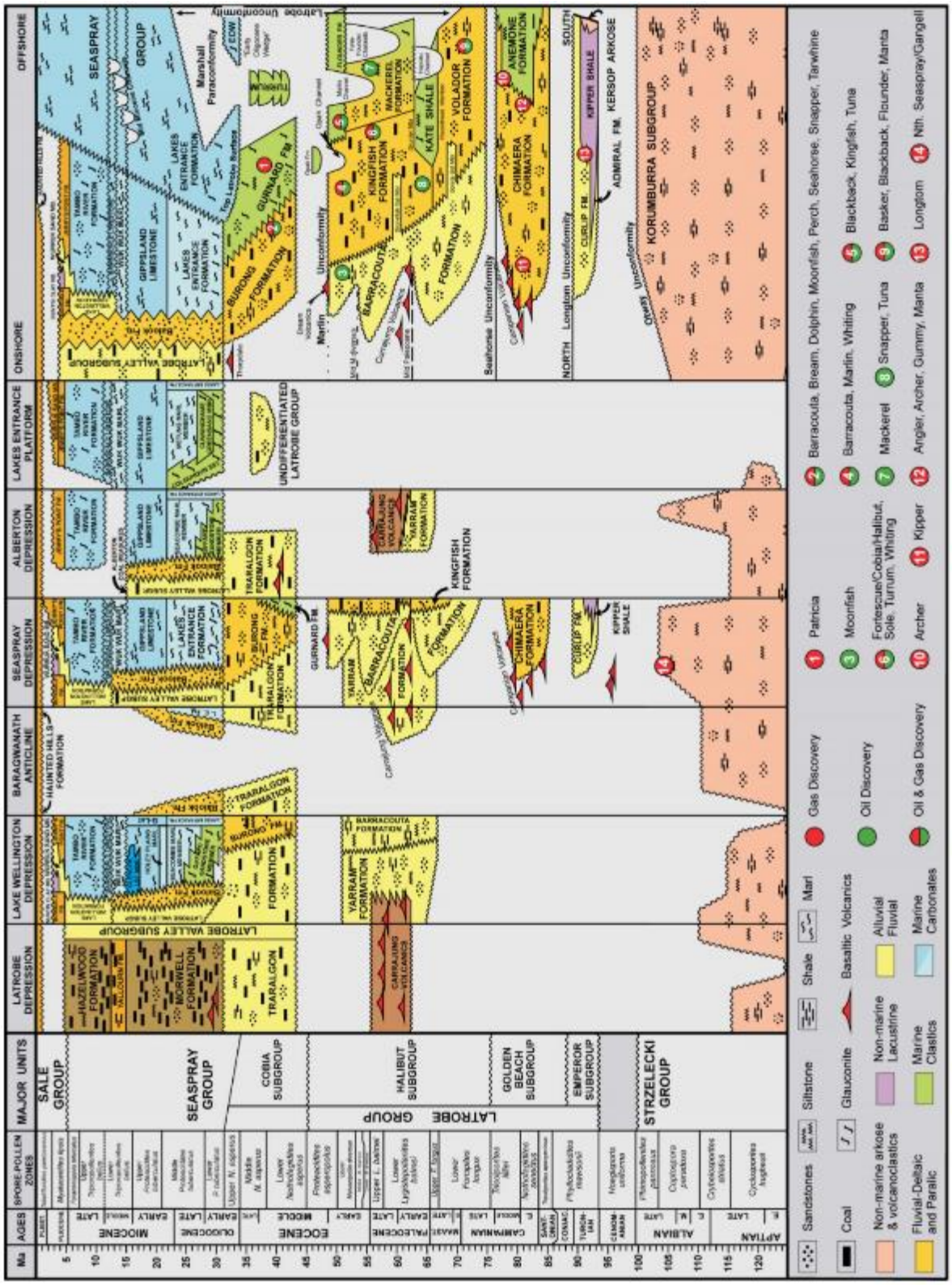


Figure 3-11: Gippsland Basin stratigraphy. Left to right in each column = west to east. (Compiled from Bernecker & Partridge, 2001; Chiupka, 1996; Gallagher & Holdgate, 1996; Holdgate & Gallagher, 2003; Partridge, 2006a; Partridge, 2006b & Tosolini et al., 1999). Source: Goldie Divko, 2015b

PRL2 and PRL3 have Contingent Resources assigned to them and these hold substantial value.

Gaffney, Cline and Associates prepared an Independent Technical Assessment of the Resource Estimates for the Early Cetaceous sediments of the Strzelecki Group on the Wombat (**Table 3-4**) Trifon, Gangell and North Seaspray tight gas accumulations in the Gippsland Basin (**Table 3-5**). The North Seaspray accumulation was first drilled and tested in 1962, while the Trifon and Gangell areas were drilled and tested in 2000 and 2001 respectively by Lakes Oil. The production rates achieved via tests in these gas accumulations were 50 to 100 Mscf/d in North Seaspray-1, 23 Mscf/d in Trifon-1 and 18 Mscf/d in Gangell-1. The Wombat area has been assessed with a number of wells including Wombat-2. One of a number of potential hydrocarbon zones was fracture stimulated and flowed at a stabilised rate of 1.35 Mscf/d and demonstrated an increased flow resulted from the stimulation. This demonstrates the formation can respond well to stimulation and commercial flow rates are likely to be reached with stimulation of multiple zones or multi stage stimulated lateral wells.

Table 3-4: Summary of Gas Initially In-Place and Contingent Gas Resources Wombat accumulations, Vic/RL2, onshore Australia (Gaffney, Cline and Associates, 2010 In Lakes Oil, 2011)

WOMBAT FIELD VIC/RL2, ONSHORE AUSTRALIA SUMMARY OF GAS INITIALLY IN-PLACE AND CONTINGENT GAS RESOURCES POST WOMBAT 4						
	GCA GIIP (Bscf)			GCA EUR (Bscf)		
	P90	P50	P10	1C	2C	3C
WOMBAT FIELD	612	787	1,396	258	329	628

Notes:

- *Natural gas volumes represent expected gas sales*, and are reported in billions (109) of cubic feet (Bscf) at standard conditions of 14.7 psia and 60° F*
- *Volumes reported are gross (100%) interest for the field area*
- *The volumes reported in this table have not been reduced for non-hydrocarbon gas (CO2, N2) content, which together average less than 1.6%*

Table 3-5: Summary of Gas Initially In-Place and Contingent Gas Resources Trifon, Gangell and North Seaspray accumulations, Vic/RL2, onshore Australia (Gaffney, Cline and Associates, 2009)

	GIIP		
	P90	P50	P10
Trifon, North Seaspray Area Gas Initially In-Place (GIIP) (Bscf)	166	492	711
Gangell Area Gas Initially In-Place (GIIP) (Bscf)	121	405	498
TOTAL (Probabilistic) Gas Initially In-Place (GIIP) (Bscf)	293	922	1,237
	Contingent Gas Resources (Gross 100% Interest)		
	1C	2C	3C
Trifon, North Seaspray Area Estimated Ultimate Recovery (EUR) (Bscf)	70	206	301
Gangell Area Estimated Ultimate Recovery (EUR) (Bscf)	50	168	209
TOTAL (Probabilistic) Estimated Ultimate Recovery (EUR) (Bscf)	126	390	526

Notes:
1. Natural gas volumes represent expected gas sales, and are reported in billions (10^9) of cubic feet (Bscf) at standard conditions of 14.7 psia and 60° F.
2. Volumes reported are gross (100%) interest for the field areas.
3. The volumes reported in this table have not been reduced for non-hydrocarbon gas (CO_2, N_2) content, which together average less than 4%.

Gaffney, Cline and Associates prepared an Independent Technical Assessment of the Prospective Tight Gas Play Resource Estimates for the Early Cetaceous sediments of the Strzelecki Group of the Baragwanath Anticline in PRL2 (**Table 3-6).**

Table 3-6: Summary of Gas Initially In-Place and Prospective Gas Resources, Baragwanath Anticline, PRL2, onshore Australia (Gaffney, Cline and Associates, 2011)

	GCA GIIP (Bscf)				GCA EUR (Bscf)				GCoS
	P90	P50	P10	Mean	P90	P50	P10	Mean	%
BARAGWANATH ANTICLINE	388	1,683	5,851	2,784	156	701	2,523	1,190	45

Notes:
1. Natural gas volumes represent expected gas sales, and are reported in billions (10^9) of cubic feet (Bscf) at standard conditions of 14.7 psia and 60° Fahrenheit.
2. Volumes reported are gross (100%) interest for the field area.
3. The volumes reported in this table have not been reduced for the potential of non-hydrocarbon gas (CO2, N2) content.
4. Volumes computed probabilistically in conjunction with PEP166, utilizing consistent parameter ranges. Final volumes based on area split per category for PRL2.

The main source rocks in the Gippsland Basin are terrestrial coal units and lower coastal plain, coaly shale units of the Latrobe Group. In the onshore area, there are also coals, organic rich shales or dispersed organic matter within the Strzelecki Group.

The main seal is the Latrobe Group shales, which unconformably overlie the Strzelecki. Intra formation seals occur as shales/clays within the Strzelecki Group.

In the Strzelecki Group, onshore traps most likely have a combination of both structural and stratigraphic components.

The Wombat Gas Field (PRL2) is currently a prospective undeveloped onshore gas field. Currently, no technique has proved capable of achieving commercial rates of production.

Lakes Oil and farm-inees (including Armour Energy) have reportedly spent in excess of A$50 M on seismic geophysical data acquisition, processing, interpretation, well costs and other geophysical testing programs. There is also oil potential deeper in the section that, due to the moratorium, remains untested. Stabilised gas flows have flowed from a small number of test zones in multiple wells. There remains significant potential for commercial conventional and unconventional gas production via various well completion techniques. Multi-stage fracture stimulated vertical wells, lateral non fractured wells and fracture stimulated lateral wells are all potential methods for production dependent on government restrictions and economic costs versus Estimated Ultimate Recovery (EUR). **Figure 3-12** demonstrates flows from multiple wells and oil recovered from a zone that has not been fully tested. A summary of results for exploration to date of the Wombat Gas Field is summarised in **Table 3-7**.

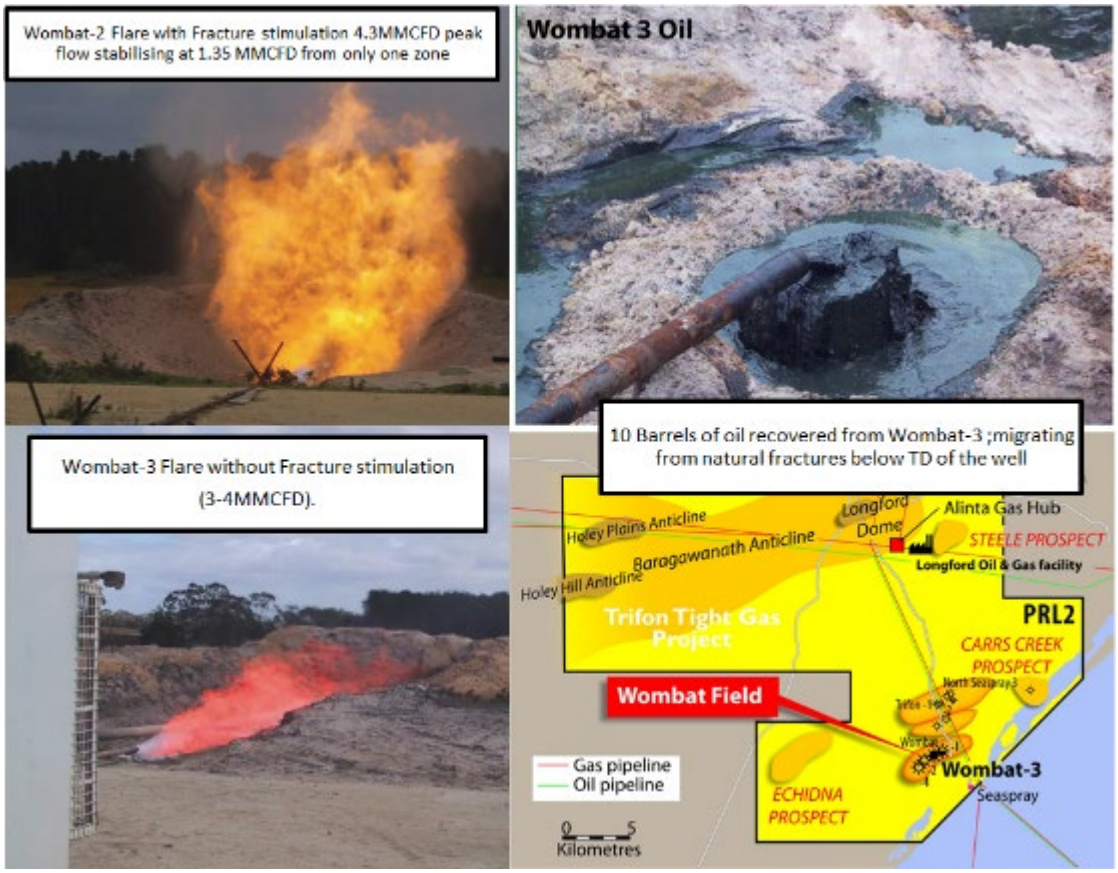


Figure 3-12: Wombat Field example gas and oil flows obtained during testing; Map of PRL2 with existing pipeline locations in relation to fields

Table 3-7: Summary of Results from Wombat Gas Field Vertical Well testing (Well Completion Reports, GeoVic database)

Vertical Wells	Liquids	Peak Flow Gas	Stabilised Gas flow	gas zones identified	Zones tested
Wombat-1	condensate	2 MMCFD		>9	1
Wombat-2 (fracture Stimulated)	condensate	4.3 MMCFD	1.35	>8	1
Wombat-3 (fracture Stimulated)	10 BBL OIL	~4 MMCFD		>8	1?
Wombat-4	TSTM	TSTM	TSTM	>8	3

3.2.3 Wombat Field Economic Model

A financial model was prepared of the Wombat Gas Field (PRL2) – this field is not producing as yet. The model was established using the following constraints and parameter inputs:

- The model assumes five production wells producing over 12 years, drilling one well per year the first five years. The produced volumes are reduced by 20% per year spanning the 12-year life of the wells (**Figures 3-13 and 3-14**).
- The gas price used was A$7.24/GJ, incorporating the energy content of the gas. An operating cost of A$2.5/GJ was assumed. The total capital expenditure per well was A$9 M (i.e. A$8 M drilling costs, A$1 M for basic completion).
- A depreciation factor of 0.9 was adopted, tax set to 30%, a production resource rent tax (PRRT) of 40% used and a royalty of 10% of wellhead cost assigned.

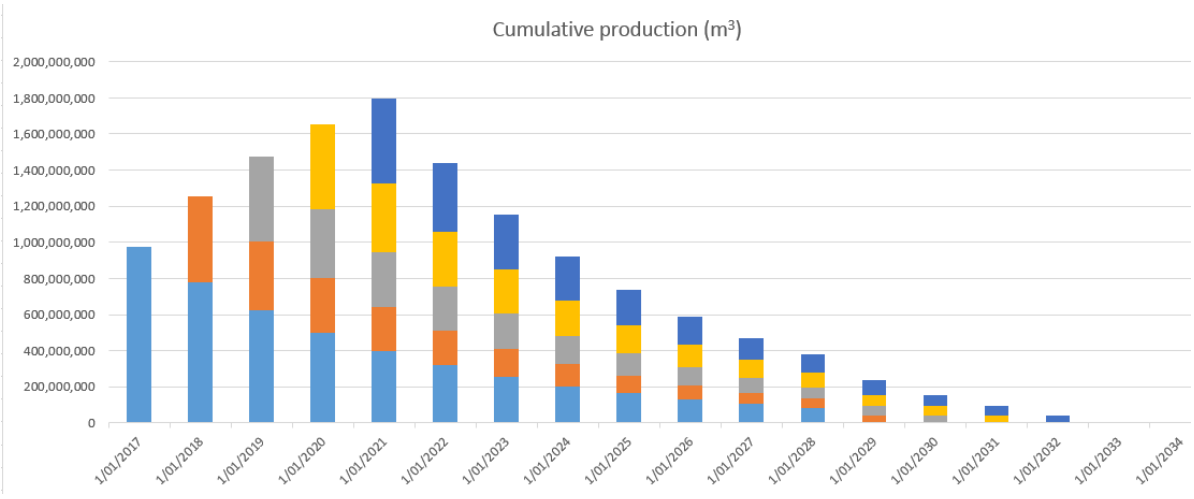


Figure 3-13: Modelling cumulative production (m3) for the Wombat gas field – PRL2, Gippsland Basin

Production forecast for the proposed by Lakes Oil for Wombat 5 is shown in **Figure 3-14**.

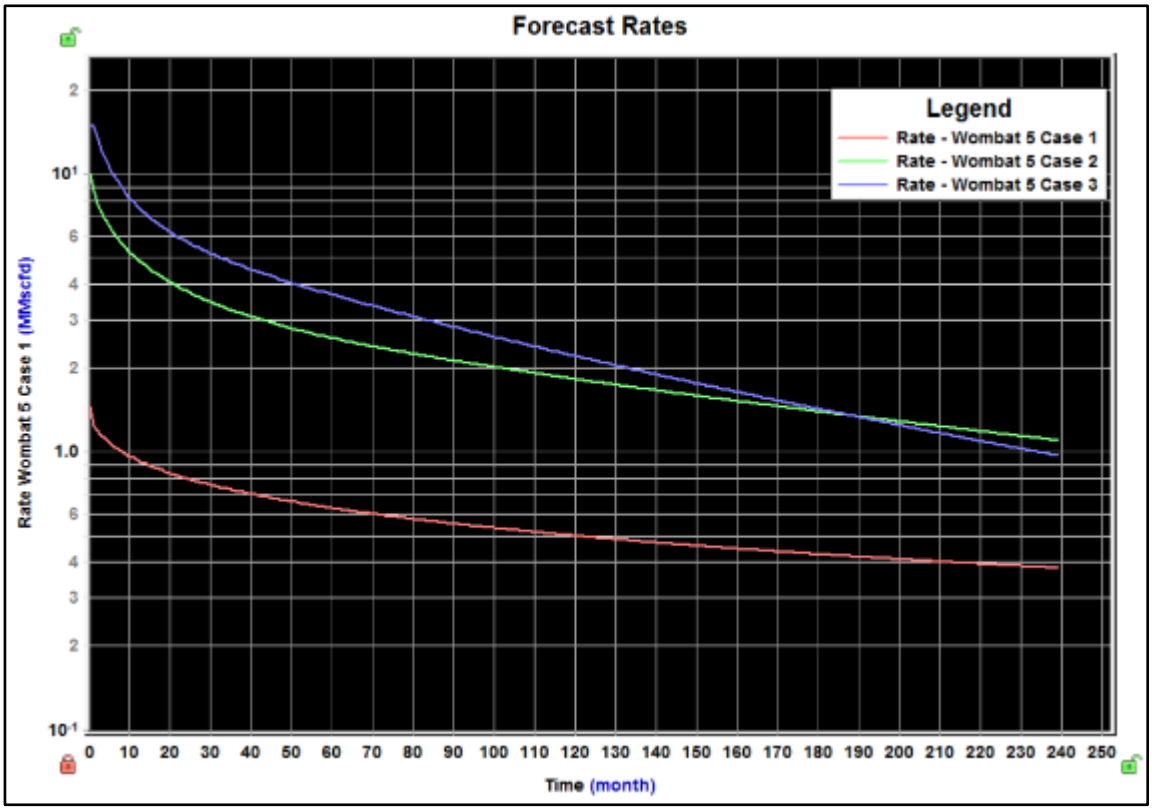


Figure 3-14: Production forecast for the proposed Lakes Oil Wombat 5 (Stimulation Petrophysics Consulting, 2013)

3.2.4 PEP175

Six exploration wells have been completed in the PEP 175 focus area. The six wells targeted conventional prospects with limited intersection of potential tight gas units. Few drill stem tests (DST) have been run on the Eumeralla Formation or deeper intervals. Also, to date there is minimal direct evidence of pervasive hydrocarbon saturation in the tighter intervals. However, recent analysis of well logs and the limited test data suggest the potential for a significant tight gas resource in the Eumeralla Formation and older formations (e.g. Laira, Pretty Hill and Casterton).

SRK assessed the Prospective Resources in the PEP 175 project area as at 1 May 2015 (**Table 3-8**). Testing within PEP175 could potentially identify large gas Resources.

3.2.5 PEP169

Proposed well Otway -1 adjacent to the Iona Gas Field could potentially identify hydrocarbons adjacent to producing infrastructure.

Table 3-8: OGIIP and Recoverable Resources in the PEP 175 focus area (Eumeralla tight gas and Laira, Pretty Hill and Casterton Formation tight Gas with liquids)

Eumeralla Formation Tight Gas	P90	P50	P10
Gas-In-Place bscf	23,280	35,515	53,507
Recoverable Gas Resources bscf	2,966	8,276	17,692
Recoverable Gas Resources PJ	2,939	8,202	17,533

Laira, Pretty Hill and Casterton Formation Tight Gas with liquids	P90	P50	P10
Gas-In-Place bscf	6,863	14,484	24,852
Recoverable Gas Resources bscf	977	3,193	7,785
Recoverable Gas Resources PJ	968	3,164	7,715
Recoverable Gas Liquids MMBO	8.6	31.5	88.8

3.2.6 Authorities to Permit (ATPs), Queensland

In July 2014, the EOIL Pty Ltd announced that it is in the process of acquiring two permits in Queensland, ATP642P and ATP662P in the Cooper/Eromanga Basin. Details of ATP 642 and 662 are provided in **Table 3-9**, and the location map is shown in **Figure 3-15**.

Acquisition of these permits was completed in August 2014 by the purchase of 100% of the entities holding interests in the permits. **The consideration was A$1 M plus A$128,000 of costs incurred by the vendor to secure the permits to the date of the sale agreement. The acquisition price identified represents the consolidated entity's assessment of the underlying value of the exploration permits.**

Table 3-9: Summary of ATPs, Eromanga Basin, Queensland

Permit	Permit holder	Interest %	Date approved	Expiry date	Native title	Area km²
ATP 642	EOIL PTY LTD	100	10/06/2014	30/06/2018	Right To Negotiate Agreement	7,808.1
ATP 662	EOIL PTY LTD	100	10/06/2014	30/06/2018	Right To Negotiate Agreement	2,486.3

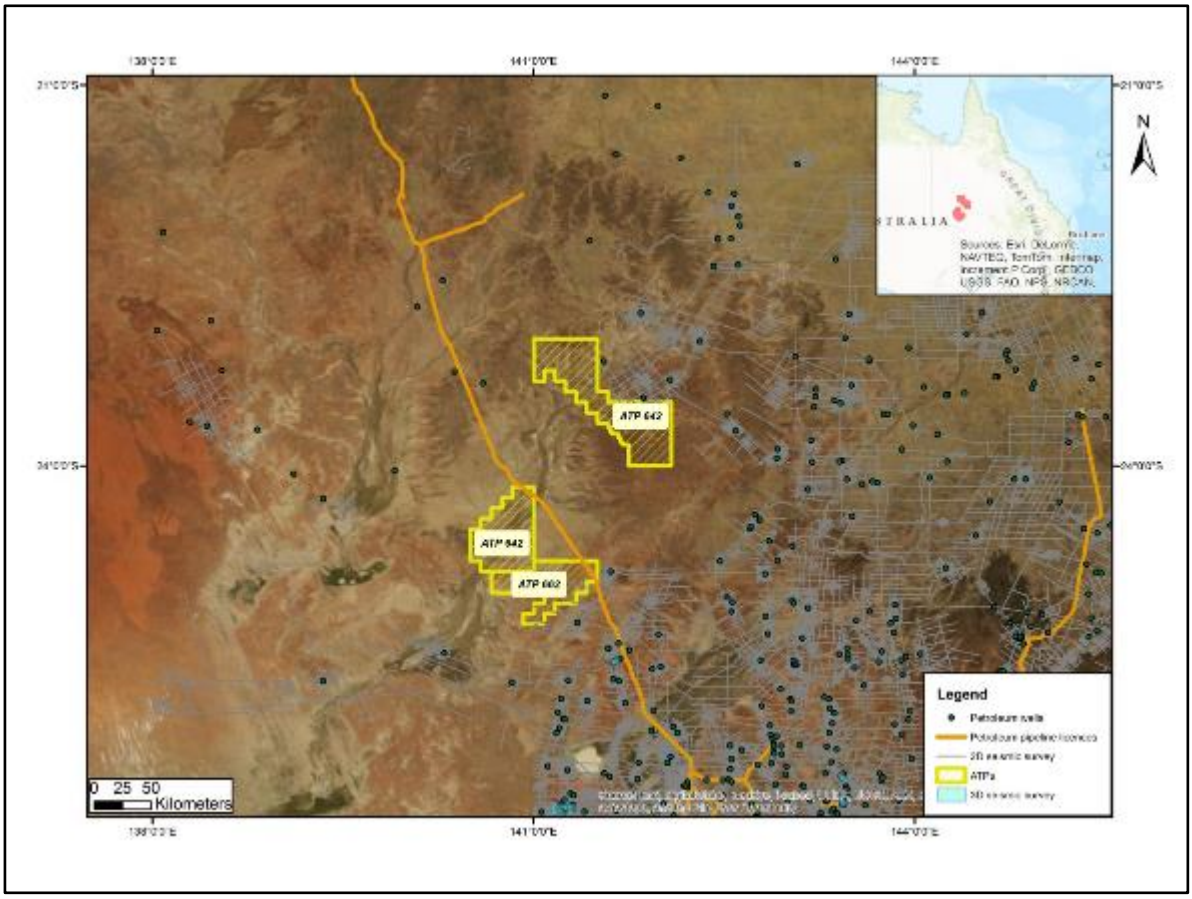


Figure 3-15: ATPs 642 and 662, Eromanga Basin, Queensland

The main source of the hydrocarbons generated in the Cooper Basin are the coal measures of the Permian Patchawarra and Toolachee Formations, and to a lesser extent the Epsilon Formation. The intervening Murteree and Roseneath Shales and the Daralingie Formation are not considered to contribute significantly as a source.

In Queensland's Cooper Basin, the main reservoirs are in the Patchawarra and Toolachee Formations, and to a lesser extent (in southwestern Queensland), the Epsilon Formation.

In the southwestern part of the Cooper Basin in Queensland, the regional seal to reservoirs in the Patchawarra Formation is provided by the Murteree Shale, to the Epsilon Formation by the Roseneath Shale, and to the Toolachee Formation by the Nappamerri Group. Internal seals are also common.

In the northern Cooper Basin, the Murteree Shale, Epsilon Formation and the Roseneath Shale are not present and the Patchawarra Formation is unconformably overlain by the Toolachee Formation. Flood-plain siltstones and shales in the Patchawarra and Toolachee Formations provide local seals (Wecker & others, 1996 in Draper, 2002). The latest Permian–Early Triassic Arrabury Formation generally provides an effective seal over much of the Cooper Basin for any hydrocarbons generated in the underlying Permian.

In the Eromanga Basin of southwest Queensland, the Poolowanna Formation, Birkhead Formation, Murta Formation and, to a lesser extent, the Westbourne Formation were regarded as having the most significant source potential (Wecker, 1989 in Draper, 2002).

The Cooper Basin is the main source, but there may be a minor pre-Permian contribution.

In the Eromanga Basin, hydrocarbons have been discovered in all units below the Wallumbilla Formation. A widespread regional seal to the hydrocarbons produced in the lower part of the Eromanga Basin succession is the thick section of Early Cretaceous marine strata, commencing with the Wallumbilla Formation. Siltstone-dominated formations such as the upper Poolowanna Formation, Birkhead Formation, Westbourne Formation and lower Cadna-owie Formation of the lower Eromanga Basin succession act locally as seals in some areas, but their regional competency is limited (Draper, 2002).

Figure 3-16: Stratigraphic units and presence of source, reservoir and seal rocks in the Cooper-Eromanga Basins (from Deighton et al., 2003 in Radke, 2009)

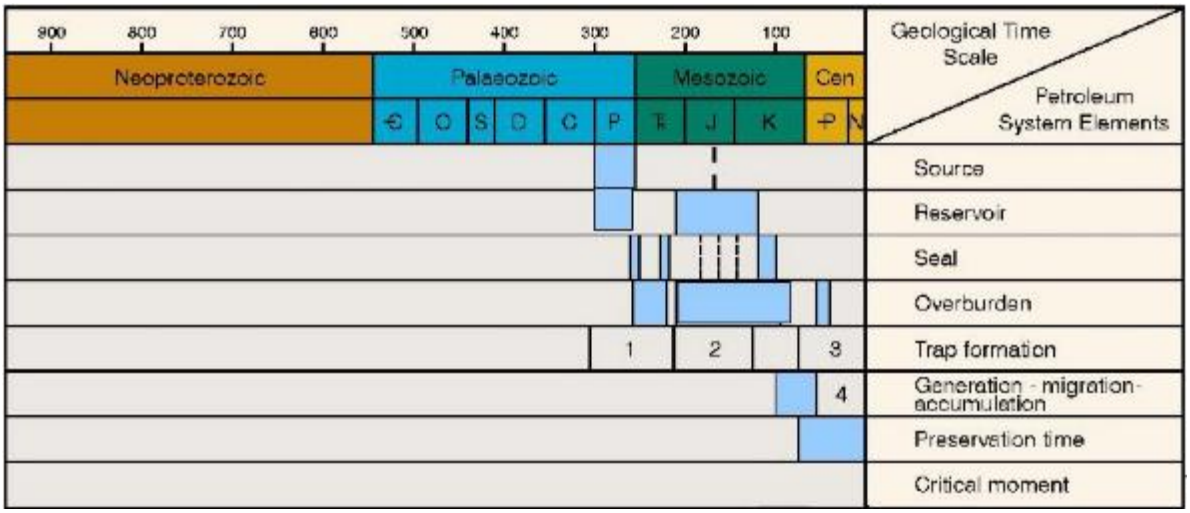


Figure 3-17: Cooper-Eromanga Basins Petroleum System (1. Early structural trap development, 2. Compaction and drapes over early structures, 3. Episodic uplift and deformation, 4. Secondary migration possible (Draper, 2002)

Examination of previous geological and geophysical investigations continued in order to build up the database and understanding of the hydrocarbon prospectivity of the acreage. The ATPs cover 10,000 km² (2.6 million acres) on the northern flank of the Cooper/Eromanga Basins.

The proposed multi-spectral survey would be able to map much larger areas remotely and thus provide a more effective targeting tool than a restricted ground gravity or seismic survey at this early stage of exploration. In addition, the proposed survey would be less time consuming, a factor needed to be considered in ground based survey in this remote area.

The proposed exploration program is to conduct a cost effective regional survey using remote-sensing multispectral fracture analysis and geochemical sampling to identify potential hydrocarbon leakages sites and calibrate these with known hydrocarbon signatures in the vicinity. These results would provide the basis for identifying the areas to be the focus of later seismic and airborne gravity acquisition to enable the identification of potential leads and prospects.

The main play types identified in these permits are: a) conventional oil play on the northern flank of the Cooper Basin with long range oil/condensate migrating from the Permian aged source rocks to the south east and mixing with possible Mesozoic sourced oil and: b) Unconventional Toolebuc Formation shale oil/gas play relatively shallow depths in the Eromanga Basin.

3.2.7 Eagle Prospect (17.96% interest), California

(Lakes Oil: 17.96% interest. Operator: Strata –X Inc.)

The Eagle Prospect contains the Mary Bellochi-1 well, which was drilled in 1986 by Lakes and its joint venture partners, and flowed oil to surface for several weeks before withering out. Indications at the time were that the failure of the well was the result of a mechanical problem, rather than oil ceasing to be present. Drilling of the Shannon-1 well, to be located close to the Mary Bellochi-1 well location, is proposed. The well will be a near-offset appraisal of the P90 reserves, estimated at 1.2 MMBbl (oil) and 3.8 Bcf (gas). Drilling is planned, but not confirmed, pending rig availability.

Details of Eagle prospect is summarised in **Table 3-10**, and the location map is provided in **Figure 3-18**. A summary is provided in **Appendix C**.

Table 3-10: Summary of Eagle prospect, San Jauquin Basin, California

Permit	Permit holder	Interest %	Date approved	Expiry date	Area km²
Eagle	Lakes Oil NL	17.964	1/07/2015	30/06/2022	16

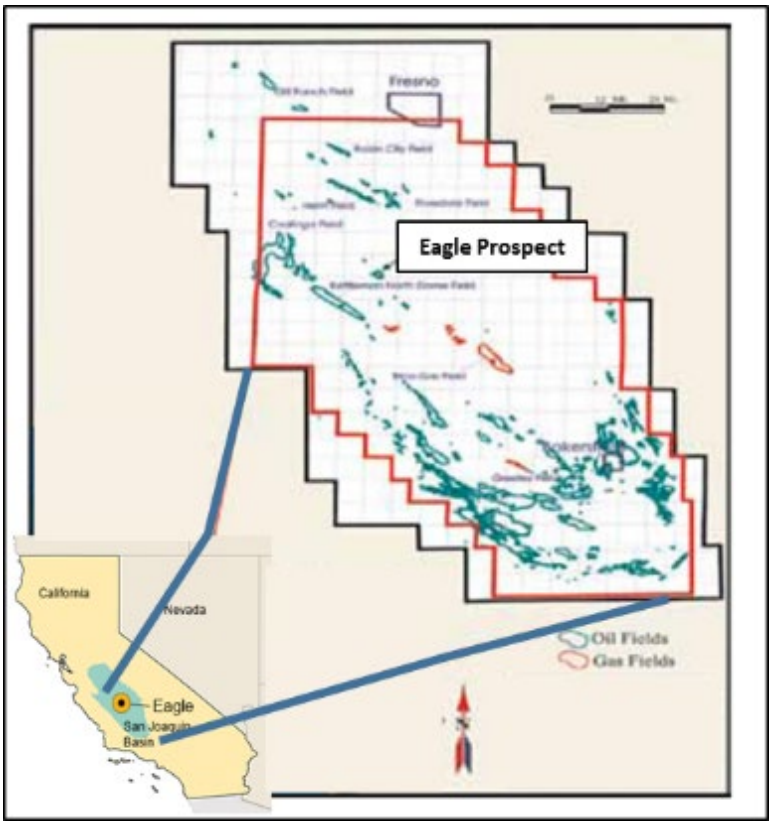


Figure 3-18: Eagle prospect – onshore San Joaquin Basin, California, USA

4 Valuation Background and Assumptions

The oil and gas markets function in different ways with oil demand driven by world supply, while liquids and gas demand is mainly controlled by more local factors. The recent development of the liquid natural gas (LNG) plants at Gladstone is resulting in a supply shortfall and price escalation on East Coast Australian Gas Prices. Despite this impact, local demand will be the key driver sustaining gas profitability relative to liquids until the world market readjusts to accommodate the extensive new developments of unconventional hydrocarbons that have occurred since 2011.

4.1 The Oil Price Environment

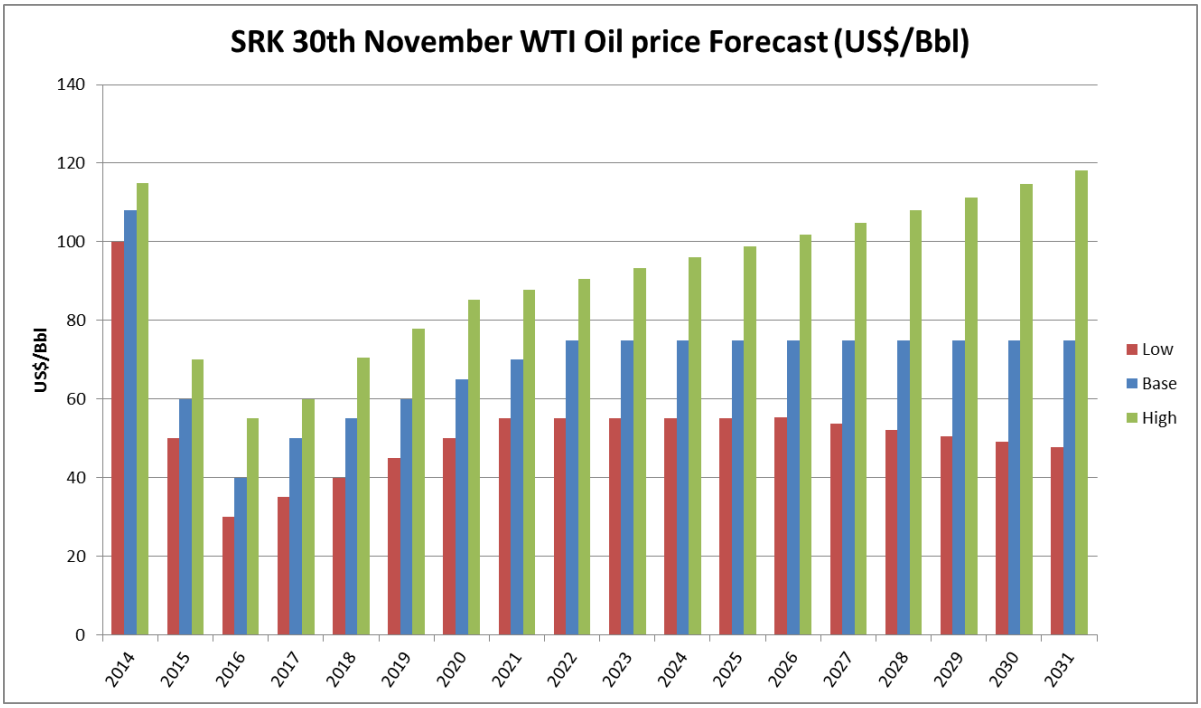


Figure 4-1: SRK current Oil Price Forecast November 2016 (WTI, US$/Bbl)

The current price environment for oil (**Figure 4-1**) significantly affects the market valuation perspective. However, it is important to consider a longer-term view. Historical transactions have occurred under different price regimes however, most were gas assets and the gas market has mostly functioned differently to oil, with current significant upward pressure on gas prices on the Australian East Coast.

4.2 Comparative Transactions

Comparative Transactions provide a basis to assess the value of exploration acreage. A range of comparable transactions are available for Queensland and Victoria.

A number of comparative transactions are quoted on publically available websites:

- Cooper Energy merger with Somerton Energy;
- Armour Energy farm-in to Petro Tech Ply Ltd acreage;
- Lakes Oil N.L. farm-in to Bass Strait Oil Company Ltd acreage; and
- Rawson Resources farm-in to Otway Energy Pty Ltd acreage.

All of the comparative transactions presented here are post-moratorium on fraccing of unconventional gas (i.e. August 2012) but pre-moratorium on exploration and/or production drilling (i.e. August 2016).

4.2.1 Armour Energy Ltd acquisition of the Roma Shelf from Origin Energy

In September 2015, Armour agreed to acquire the Roma Self project in the Surat Basin, Queensland for A$13 M from Origin Energy. The assets are strategically located and connected to the Wallumbilla gas hub including valuable gas storage capacity. On completion of the acquisition, the assets will offer Armour near-term production and cash flow opportunities through production of gas, oil and liquids, representing a potentially key source of funding for Armour Energy's overall growth strategy.

Armour Energy holds a 100% interest in Petroleum Leases ("PL") 174 , PL14, PL53, PL70, PL227, PPL3, PPL20, PPL63 and PL14 (**Figure 4-2**). In addition to the Newstead Gas Storage, Armour Energy will hold an interest of between 46.25% and 100% in other PLs and ATPs. Armour Energy will be the operator of the majority of the permits, with other Joint Venture parties such as AGL Energy. **Table 4-1** shows the blocks and percentages.

Table 4-1: Blocks and percentages of Armour Energies acquisition of the Roma Shelf from Origin Energy

Tenement	Interest
PL 14	100%
PL 53	100%
PL 70	100%
PL 511 (formerly PL 174)	100%
PL 227	100%
PPL 3	100%
PPL 20	100%
PPL 63	100%
Newstead Gas Storage	100%
PL 28	46.25%
PL 69	46.25%
PL 89	46.25%
PL 320 (formerly PL 10W)	46.25%
PL 11W	46.25%
PL 12 W	46.25%
PL 11 Snake Creek East Exclusion Zone	25%
PL 21	87.5%
PL 22	87.5%
PL 27	87.5%
PL 71	90.0%
PL 264	90.0%
ATP 1190 (formerly ATP 471)	50.64%
PL 30	75%
PL 512 (formerly PL 74)	69%
PPL 22	69%
PL 71 (exploration)	72%
ATP 647 (Block 2656)	50%
ATP 754	50%
ATP 1190 (Bainbilla) (formerly ATP 471)	24.748%

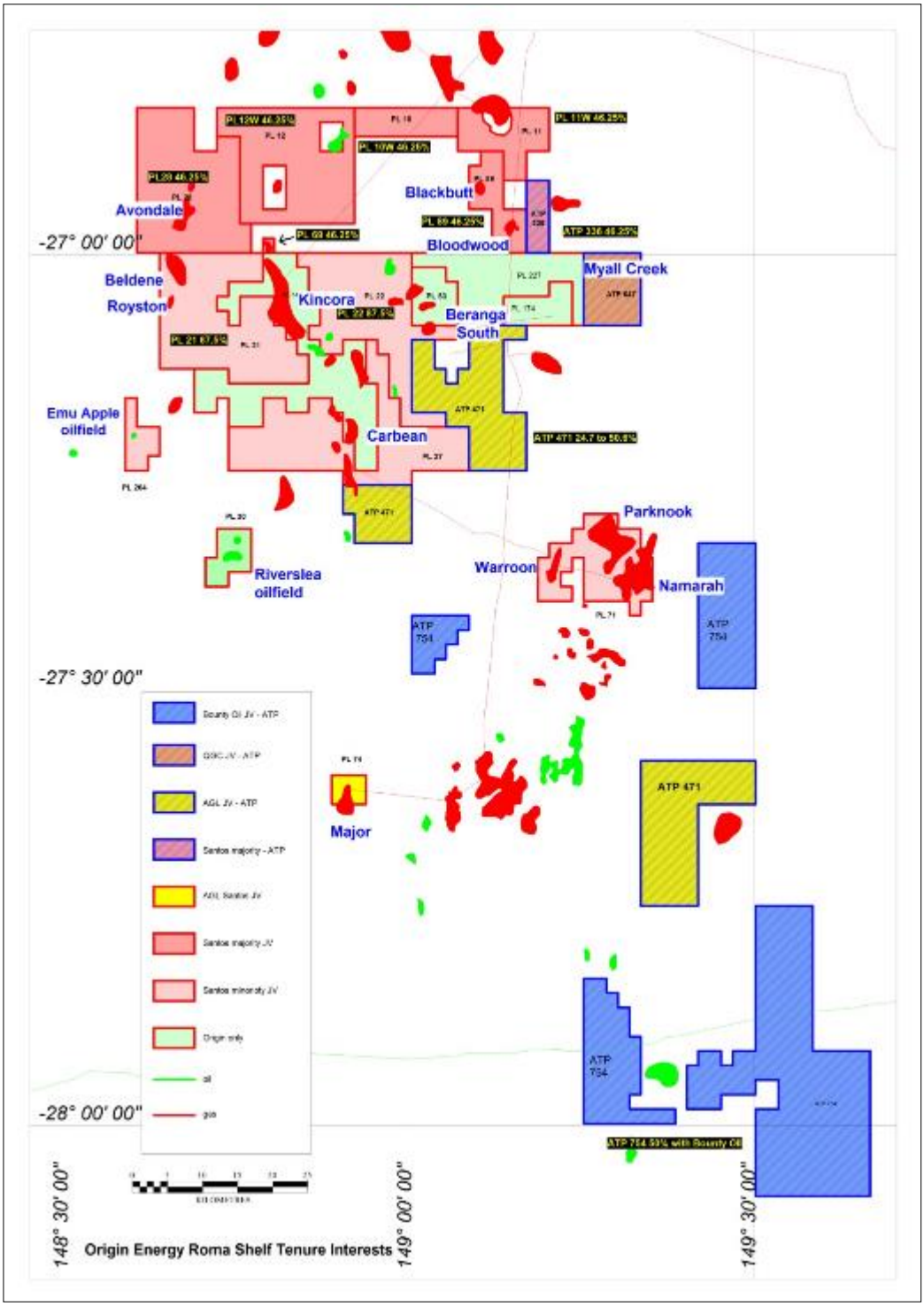


Figure 4-2: Location map of acquired permits in Surat Basin

4.2.2 Armour Energy Ltd farm-in of Petro Tech Pty Ltd acreage

The Armour Energy Ltd farm-ins into Petro Tech Ply Ltd (subsidiary of Lakes Oil N.L.) acreage are comparative transactions from the Gippsland Basin (**Table 4-2**), detailed below.

- Farmin-1: Armour Energy proposed to farm-in to 25% of PEP166 (i.e. 1,753 km^2) for A$9 M or A$10,268.11/km^2 (i.e. AU$41.59/acre) per proposed equity.
- Farmin-2: Armour Energy proposed to farm-in into 25% of PRL2 (i.e. 175 km^2) and 50% of PRL2 prospects (i.e. 23.5 km^2; Wombat Field, Gangell and Trifon prospects) for A$30.6 M implying a transactional value of A$154,156.17/km^2 per proposed equity (not formalised). The farmin also includes acquisition of 51% of PEP169 (i.e. 617.5 km^2) for A$4.75 M or A$7,692.31/km^2 per proposed equity. Lastly, the farm-in includes acquisition of 50% of PEP166 (i.e. 876.5 km^2) for A$4.75 M implying a transactional value of A$10,268.11/km^2 per proposed equity. Of note is that the Wombat and Triffon Fields have a 2C resource assigned to it so that the transactional value of PRL2 is higher.
- This Armour Energy Ltd transaction value provides a guide for the 2C and retention licence transactions.

Table 4-2: 2C Resource value for the Armour farm-in

Licence	Area (km2)	Lakes Oil Interest	Armour Farmin Interest (%)	Basin	Area/Value
PRL 2	700.00	75%	25%	Gippsland	175
PRL 2	47.00	50%	50%	Gippsland	24
				Total Weighted Area	199
				Transaction Value	$30,600,000
			2C Resource	**A$ Value per Km^2**	**$154,156.17**

4.2.3 Lakes Oil N.L. Farm-in of Bass Strait Oil Company Ltd

The Lakes Oil N.L. farm-in of Bass Strait Oil Company Ltd (PEP175 and 167) is calculated at A$164.20/km^2. The transaction occurred during the time of the fracking moratorium. The consolidated entity entered into an agreement with Bass Strait Oil Company Limited to acquire 100% equity in PEP167 and PEP175. These permits are in the Otway Basin, Victoria and the acquisition was subject only to the approval of the regulatory authorities. Acquisition of these permits was completed in September 2014 for consideration of AU$300,000 ex GST. Reported expenditure on the two permits is A$5,736,282. The estimated transactional value of the two permits is A$11,500,679. SRK value the permits at A$8,618,480 on the basis that there are conventional hydrocarbons and additional prospectivity for tight gas however, this will require fracture stimulation of the reservoir.

4.2.4 Summary of Comparative Transactions

The comparative transactions are summarised in **Table 4-3**. The implied values derived from the comparative transactions were applied in the absence of more accurate data, as follows:

- The average of the implied values has been adopted irrespective of whether the resource is conventional or unconventional gas, as most tenements offer potential for both play types.
- Table 4-3 comprises Prospective Resource transactions. In allocating value, SRK has considered the multiple applied to Prospective Resources as distinct from transactions involving Contingent Resources.

Table 4-3: Comparative transactions – Gippsland and Otway Basin acreage

Petroleum Exploration Transactional Land Valuations (Gippsland and Otway Basins)			
References	**Prospective Resource Transactions**	**Date**	**$/km^2**
ASX announcement 2011	**Armour PEP169**	Feb, 2013	**$3,572**
ASX announcement 2011	**Armour PEP166**	Feb, 2014	**$5,590**
Quaterly Activity Report PG. 3. value; Pg1. Acreage consideration	**Rawson Resources PEP 154 155 SA**	Feb, 2014	**$6,061**
Lakes Oil N.L. Annual Report 2015 Pg.15	**Lakes PEP175/167**	July, 2014	**$164**
Cooper Somerton Merger	**Cooper Summerton Merger**	May 2012	**$7,939**
	Average A$/km2		**$4,665.30**

4.3 Reported Expenditure (Book Value)

Reported expenditure is available for both the Lakes Oil assets (**Table 4-4**) and the NavGas blocks (**Table 4-5**).

Table 4-4: Summary of reported expenditure by Lakes Oil

Tenement Number	Tenement holder	Lakes Oil NLinterest %	Actual Expenditure
Victoria			
PEP163	Mirboo Ridge Pty Ltd	100	498,851.9
PEP166	Petro Tech Pty Ltd	75	6,405,927.7
PEP167	Mirboo Ridge Pty Ltd	100	5,462,377.5
PEP169	Mirboo Ridge Pty Ltd	49	4,008,815.8
PEP175	Mirboo Ridge Pty Ltd	100	366,859.1
VIC P43(V)	Petro Tech Pty Ltd	100	17,168.2
VIC P44(V)	Petro Tech Pty Ltd	100	16,168.2
PRL2	Petro Tech Pty Ltd	100	$50,050,908
PRL3	Petro Tech Pty Ltd	100	2,105,000.0
Queensland			
ATP 642	Eoil Pty Ltd	100	653,001.3
ATP 662	Eoil Pty Ltd	100	658,486.4
California			
Eagle	Strata-X Inc	17.964	3,861,147.6
Total			**74,104,712.0**

Table 4-5: Summary of reported expenditure by NavGas

Permit application	Applicant	Interest %	Actual Expenditure
South Australia			
PELA 577	NAVGAS Pty Ltd	100	$26,644
PELA 578	NAVGAS Pty Ltd	100	$26,644
PELA 579	NAVGAS Pty Ltd	100	$26,644
PELA 601	NAVGAS Pty Ltd	100	$26,644
PELA 602	NAVGAS Pty Ltd	100	$26,722
PELA 631	NAVGAS Pty Ltd	100	$37,420
Queensland			
Permit	**Operator**	**Interest %**	**Actual Expenditure**
ATP 1183	NAVGAS Pty Ltd	100	$104,901
Total			**275,619.0**

4.4 Summary of Ranges Issues

The basic data is as follows:

NavGas PELAs and ATPs

SRK estimates the Comparative Transaction Value for ATP1183 at A$6.38 M. The Expenditure Book Value is relatively small at A$105, 000. The proposed expenditure is more closely aligned to the prospectivity (**Appendix C**). SRK notes that proposed expenditures were estimated to achieve a work program at the time of bidding however; in the current market conditions, these will be less than originally estimated at the time the block bid was successful.

SRK consider the likelihood of failure to meet the commitments such that the permit is forfeit is not relevant. It is typical in exploration that companies undertake work to promote value and this is the case with many small companies. The value is commonly realised by farm out promotes to achieve additional discoveries leveraged off low cost G&G exploration.

The state of the East Coast Australian Gas market is such that significant price increases will occur well before 2020 and these will supplement any promote work and the permit will be kept in good standing as it has identified gas and good fundamental gas Prospectivity. The evidence for the emerging low cost gas supply shortage are contained in **Figures 4-3 and 4-4** which show price increases as gas is re-directed to the plants at Gladstone and the forecast annual gas consumption dominated by the LNG plants at Gladstone.

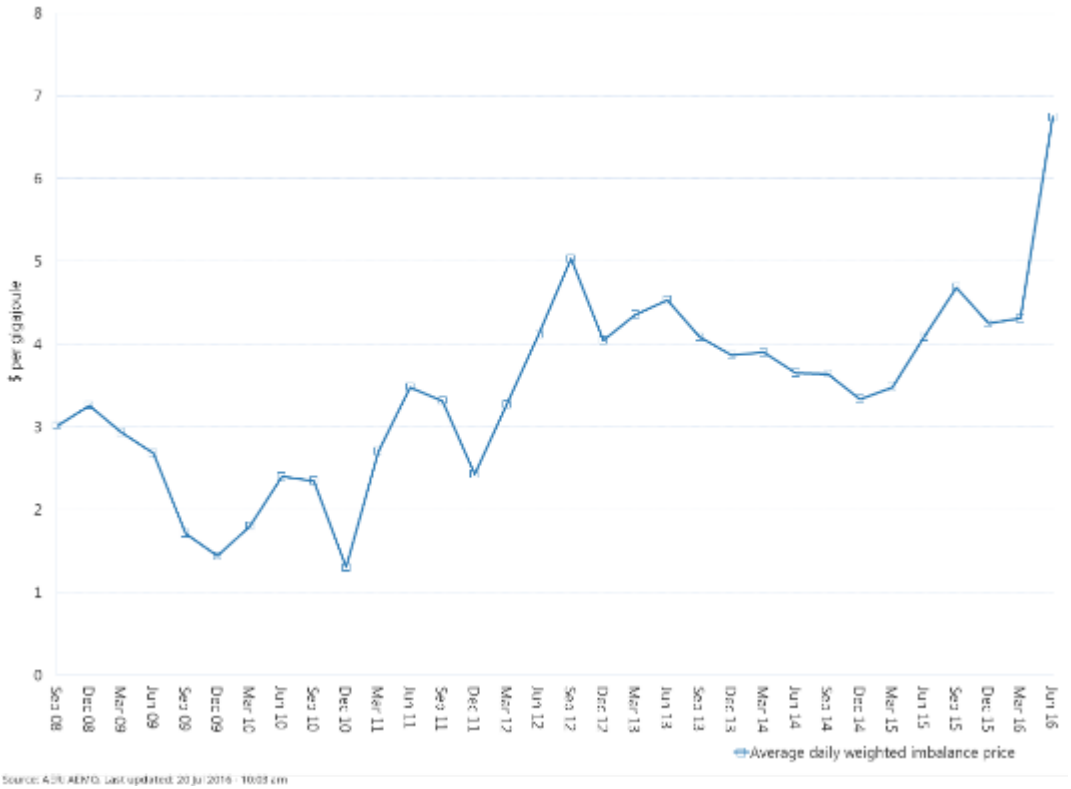


Figure 4-3: Victorian gas market average daily weighted prices by quarter (Australian Energy Regulator (Australia Government)

The National Gas Forecasting Report (NGFR) provides forecasts of annual gas consumption and maximum gas demand across eastern and south-eastern Australia's interconnected gas markets over a 20-year outlook period.

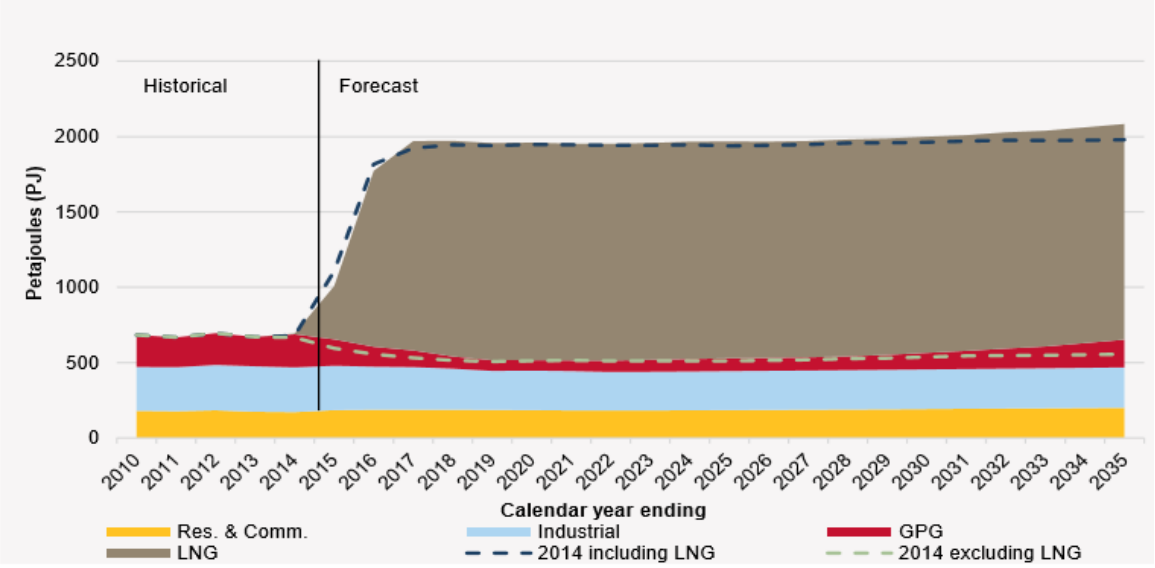


Figure 4-4: Total annual gas consumption (NATIONAL GAS FORECASTING REPORT FOR EASTERN AND SOUTH-EASTERN AUSTRALIA Published: December 2015 AMEO (Australian Energy Market Operator)

PELA577, 578, 579, 601, 602 and 631 are applications only and subject to grant although there is no indication they will not be granted. The actual expenditure on the applications is the best guide to current value. The high side value is the expenditure commitment and the low side value accounts for the unlikely rejection of the applications.

Lakes Oil PEPs, PRLs and ATPs

SRK estimates the Comparative Transaction Values for each of the Victorian exploration acreages range from A$422,000 to A$6.1 M (total transaction value: A$20.8 M). The average of actual expenditure and estimated transaction land value is the preferred estimate of value for this prospective gas acreage. The Queensland blocks are much larger but with significantly lower prospectivity. The current proposed total expenditure of A$2.9 M provides a much better guide to their likely value. The proposed expenditure of A$153,000 is considered by SRK to be the best guide to value of the Californian acreage.

PRL2 economic model indicates an NPV of A$318 M at a discount rate of 10% unrisked based on five production wells and gas price of A$7/GJ and a simple tie in to the pipeline in the lease and minimal capital expenditure. All royalties, taxes and costs were included in the model. The risks might be 10% to 40% for success. At this stage, the expenditure value is preferred but more detailed technical and financial modelling could be a better guide following a detailed technical analysis of the field characteristics.

SRK note that for PRL2 only Wombat Field was assessed as part of this valuation, as the data for the other potential field developments requires detailed evaluation of large data sets to be meaningful. It is important to note that if any successful field development is achieved then the incremental value of additional Resources will be significant.

PRL3 is similar except that there has been no evidence of significant hydrocarbon tests many years of exploration and even trial mining. The expenditure of A$2.1 M is the preferred estimate of value.

5 Valuations

5.1 Geotechnical Valuation

The valuation presented here is at scoping level, desktop study; commensurately, a number of assumptions are made, accuracy limitations exist and the confidence level is moderate in the case where data are limited and/or unavailable. The key assumptions, limitations and confidence level for the valuation are as follows:

- An assumption common to the above three groups is that the comparative transactional land rate applied did not distinguish whether the Resource was conventional petroleum or unconventional gas. A distinction could be made if more data were available; however, transactions are few, mainly due to the restrictions imposed by the fraccing and drilling moratoria.
- Individual Prospective Resources were not assessed. Many companies have individual block specific Prospects based on existing well details, and 2D and 3D seismic data, some of which is not released propriety information collected as part of their ongoing exploration activities.
- Valuations based on reported expenditure in the case of PEPs are deemed by SRK to be reasonable estimates, as these are intermediary expenditures derived without specific upside information from the latest data for each permit.

5.2 Financial Modelling

Defined Resources occur in the Lakes Oil blocks in the Gippsland Basin, principally the Wombat Field. The dominant assumptions, limitations and confidence level for the financial modelling of the Wombat Field were as follows:

- The basic financial model presented here is based on limited field data; further enhancement would require the operator's datasets and knowledge of the gas field-test productivity.
- Five shallow lateral wells were modelled in order to drain the field. It is possible that the field could be developed using horizontal wells. The costs were estimated based on successful horizontal wells however; the drilling conditions and producing rock volumes will be important factors to achieve low cost, high volume production.

Financial modelling of the NavGas assets was not undertaken as the asset falls into the category of Prospective Resources and hence the input parameters are not sufficiently well defined to include in an income-based financial model. However, the occurrence of nearby oil and gas/condensate fields and the proven tested hydrocarbons within the ATP1183 demonstrates that discovery of additional hydrocarbons will be low risk and the economic modelling available indicates potential commerciality.

5.3 Valuations

SRK's estimates the value for the NavGas assets as described in **Table 5-1** and Lakes Oil assets in **Table 5-2**.

Based on its analysis, SRK considers the current market would pay in the range A$0.1 M to A$26.34 M with a preferred value of A$9.99 M for NavGas's mineral interests. In selecting its value range and preferred value, SRK notes:

- The high end of the range for NavGas' ATP1183 reflects from the proposed expenditure submitted to the Queensland Department of Natural Resources and Mines. It is the estimated work program value to win the block in a competitive tender at the time of release.
- SRK's preferred value is derived from the current proposed value to undertake the work commitments, rather than the comparative transaction value. The proposed expenditure is more closely aligned to the prospectivity (an average of the Comparative Transaction Value and Proposed Expenditure A$9,820,836 to meet commitments). It is typical for exploration companies to undertake work to increase value. The value is commonly realised by farm out promotes to achieve additional discoveries leveraged off low cost G&G exploration. The current state of the East Coast Australian Gas market is such that significant price increases will occur well before 2020 and these will supplement any promote work and the permit will be kept in good standing as it contains both discovered gas and good Prospectivity for future economic gas discoveries. SRK therefore consider the low value is the current expenditure on the block, which remains in good standing.

Table 5-1: Estimated Value for NavGas Pty Ltd Assets as at 15 October 2016

Permit application	Applicant/Tenement holder	Interest %	Area km^2	Low Value	SRK Preferred value	High Value	Notes
South Australia							
PELA 577	NAVGAS Pty Ltd	100	9672	$0	**$26,644**	$2,180,000	Application value only
PELA 578	NAVGAS Pty Ltd	100	9344	$0	**$26,644**	$2,180,000	Application value only
PELA 579	NAVGAS Pty Ltd	100	9902	$0	**$26,644**	$2,180,000	Application value only
PELA 601	NAVGAS Pty Ltd	100	8280	$0	**$26,644**	$2,180,000	Application value only
PELA 602	NAVGAS Pty Ltd	100	9593	$0	**$26,722**	$2,180,000	Application value only
PELA 631	NAVGAS Pty Ltd	100	5272	$0	**$37,420**	$2,180,000	Application value only
Queensland							
ATP 1183	NAVGAS PTY LTD	100	992	$104,901	**$9,820,836**	$13,260,000	***Transaction value preferred, Total proposed expenditure $13,260,00, subject to block commitments remaining in good standing, high expenditure bid required to secure high prospectivity block.***
Total				**$104,901**	**$9,991,554**	**$26,340,000**	

Table 5-2: Estimated Value for Lakes Oil NL Assets as at October 15, 2016

Tenement Number	Tenement holder	Lakes Oil NLinterest %	Area km^2	Low Value	SRK Preferred value	High Value	Notes
Victoria							
PEP163	Mirboo Ridge Pty Ltd	100	542	$498,852	**$1,513,257**	$2,330,000	Average preferred
PEP166	Petro Tech Pty Ltd	75	1754	$4,560,000	**$6,271,218**	$6,405,928	Average preferred
PEP167	Mirboo Ridge Pty Ltd	100	408	$1,903,911	**$3,683,144**	$5,462,378	Average preferred
PEP169	Mirboo Ridge Pty Ltd	49	1135	$2,595,523	**$3,302,170**	$4,008,816	Average preferred
PEP175	Mirboo Ridge Pty Ltd	100	1326	$366,859	**$3,275,593**	$6,184,327	Average preferred
VIC P43(V)	Petro Tech Pty Ltd	100	91	$17,168	**$219,922**	$422,677	Average preferred
VIC P44(V)	Petro Tech Pty Ltd	100	237	$16,168	**$561,622**	$1,107,077	Average preferred
PRL2	Petro Tech Pty Ltd	100	746	$11,265,441	**$50,050,908**	$318,000,000	Expenditure preferred
PRL3	Petro Tech Pty Ltd	100	124	$578,498	**$2,105,000**	insufficient data	Expenditure preferred
Queensland							
ATP 642	Eoil Pty Ltd	100	7808	$653,001	**$1,550,000**	$50,225,518	Lower prospectivity acreage, acquisition cost of AU$1,128,000
ATP 662	Eoil Pty Ltd	100	2486	$658,486	**$1,380,000**	$15,993,097	
California							
Eagle	Strata-X Inc	17.964	na	$0	**$153,970**	$3,861,148	Unlikely commercial
Total				**$23,113,908**	**$74,066,804**	**$414,000,964**	

Based on its analysis, SRK considers the current market would pay in the range A$23.11 M to A$414 M with a preferred value of A$74.07 M for Lake Oil's petroleum interests. In selecting its value range and preferred value, SRK notes:

- High end valuations are based on transactional values.
- Low end valuations are based on proposed expenditures which SRK see as a minimum value reflecting the prospectity.
- SRK's preferred value is the average of the actual expenditure and the transactional land value (average preferred).
- In the cases of PRL's 2 and 3 the SRK preferred value is the actual expenditure although significant value improvement may be established with detailed analysis of all the field production characteristics. In the case of PRL 3 there is not sufficient data to estimate an upside potential. The same argument could be made for PRL2 however, the financial modelling of the Wombat field indicates substantial upside.
- In the case of the Queensland assets the proposed expenditure is the SRK preferred value as these are high risk/potential high reward areas with the low end valuation based on the acquisition costs.
- In the case of Eagle the SRK preferred value is also the proposed expenditure as the risks are not clearly understood and the low end value reflects the uncertainty.

6 Conclusions

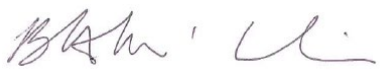
SRK's preferred market value estimate for NavGas' mineral assets is A$9.99 million in the range A$0.1 to A$26.3 million.

SRK considers the Lakes Oil valuation to account for commercial risks associated with the Contingent Resources, however the political risk is simply unknown and not assessed. Financial modelling of the Wombat gas field is significantly higher (i.e. A$317.85 M) than that estimated using comparative transactions (A$50.5 M). The Wombat Gas Field is a significant hydrocarbon resource.

Within onshore Victoria, a few specific permits hold much of the estimated hydrocarbon values or have incurred large expenditures due to their perceived more favourable potential.

SRK's preferred market value estimate for Lakes Oil's mineral assets is A$74.07 million in the range A$23.1 to A$414.0 million.

Compiled by



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Appendices

Appendix A: Category Definitions of 1P, 2P and 3P

For further details on the definitions and guidelines, please see the original document (SPE, 2007).

Figure A-1 (from the World Petroleum Council) presents 1P 2P and 3P category definitions. Furthermore, it provides guidelines designed to promote consistency in resource assessments. The following summarizes the definitions for each Reserves category in terms of both the deterministic incremental approach and scenario approach and provides the probability criteria if probabilistic methods are applied.

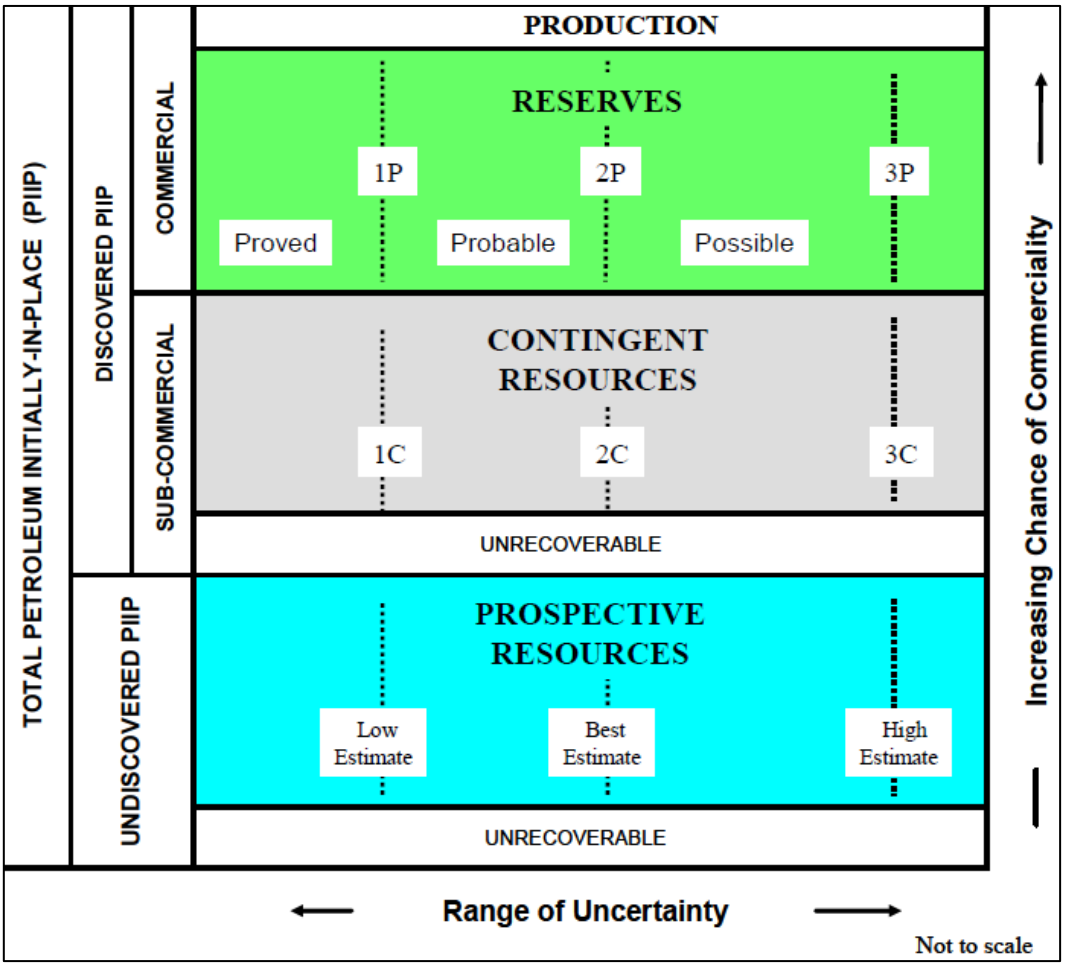


Figure A-1: Resources Classification Framework

Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

The "Range of Uncertainty" reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the "Chance of Commerciality", that is, the chance that the project that will be developed and reach commercial producing status.

The following definitions apply to the major subdivisions within the resources classification:

TOTAL PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

DISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

PRODUCTION is the cumulative quantity of petroleum that has been recovered at a given date. While all recoverable resources are estimated and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage.

Multiple development projects may be applied to each known accumulation, and each project will recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into Commercial and Sub-Commercial, with the estimated recoverable quantities being classified as Reserves and Contingent Resources respectively, as defined below.

RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria's: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

CONTINGENT RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

UNDISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

PROSPECTIVE RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

UNRECOVERABLE is that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur, the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

ESTIMATED ULTIMATE RECOVERY (EUR) is not a resources category, but a term that may be applied to any accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable under defined technical and commercial conditions plus those quantities already produced (total of recoverable resources).

In specialized areas, such as basin potential studies, where alternative terminology has been used, the total resources may be referred to as Total Resource Base or Hydrocarbon Endowment. Total recoverable or EUR may be termed Basin Potential. The sum of Reserves, Contingent Resources and Prospective Resources may be referred to as “remaining recoverable resources”. When such terms are used, it is important that each classification component of the summation also be provided. Moreover, these quantities should not be aggregated without due consideration of the varying degrees of technical and commercial risk involved with their classification.

Project-Based Resources Evaluations

The resources evaluation process consists of identifying a recovery project, or projects, associated with a petroleum accumulation(s), estimating the quantities of Petroleum Initially-in-Place, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on its maturity status or chance of commerciality.

This concept of a project-based classification system is further clarified by examining the primary data sources contributing to an evaluation of net recoverable resources (**Figure A-2**) that may be described as follows:

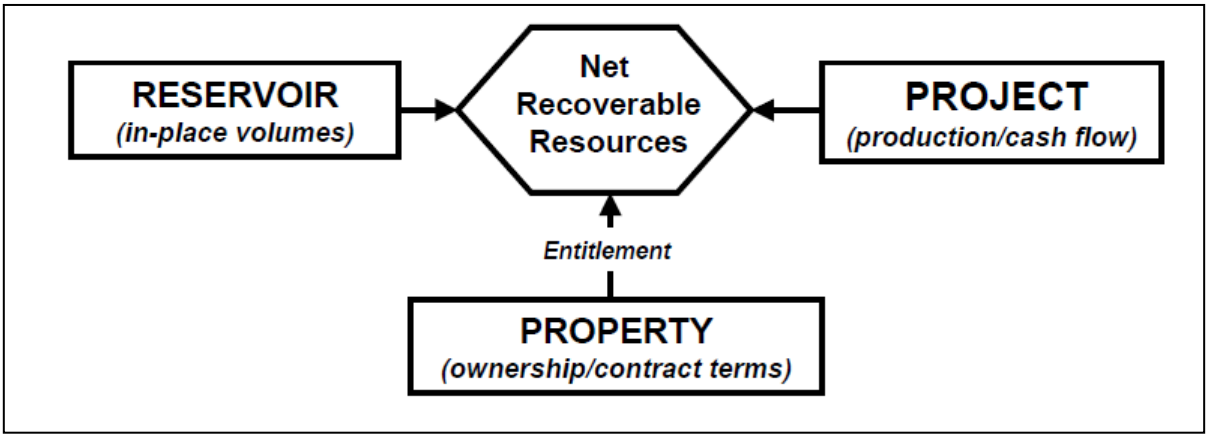


Figure A-2: Resources Evaluation Data Sources

Resources Classification

The basic classification requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial and sub-commercial projects in known accumulations (and hence between Reserves and Contingent Resources).

Determination of Discovery Status

A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons.

In this context, “significant” implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery. Estimated recoverable quantities within such a discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves.

Where in-place hydrocarbons are identified but are not considered currently recoverable, such quantities may be classified as Discovered Unrecoverable, if considered appropriate for resource management purposes, a portion of these quantities may become recoverable resources in the future as commercial circumstances change or technological developments occur.

Determination of Commerciality

Discovered recoverable volumes (Contingent Resources) may be considered commercially producible, and thus Reserves, if the entity claiming commerciality has demonstrated firm intention to proceed with development and such intention is based upon all of the following criteria:

Evidence to support a reasonable timetable for development.

- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria.
- A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required justifying development.
- Evidence that the necessary production and transportation facilities are available or can be made available.
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable period. A reasonable period for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned based on well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

Project Status and Commercial Risk

Evaluators have the option to establish a more detailed resources classification reporting system that can also provide the basis for portfolio management by subdividing the chance of commerciality axis according to project maturity. Such sub-classes may be characterized by standard project maturity level descriptions (qualitative) and/or by their associated chance of reaching producing status (quantitative).

As a project moves to a higher level of maturity, there will be an increasing chance that the accumulation will be commercially developed. For Contingent and Prospective Resources, this can further be expressed as a quantitative chance estimate that incorporates two key underlying risk components:

The chance that the potential accumulation will result in the discovery of petroleum. This is referred to as the "chance of discovery"

Once discovered, the chance that the accumulation will be commercially developed is referred to as the "chance of development".

Thus, for an undiscovered accumulation, the "chance of commerciality" is the product of these two risk components. For a discovered accumulation where the "chance of discovery" is 100%, the "chance of commerciality" becomes equivalent to the "chance of development".

Project Maturity Sub-Classes

As illustrated in **Figure A-3** development projects (and their associated recoverable quantities) may be sub-classified according to project maturity levels and the associated actions (business decisions) required to move a project toward commercial production.

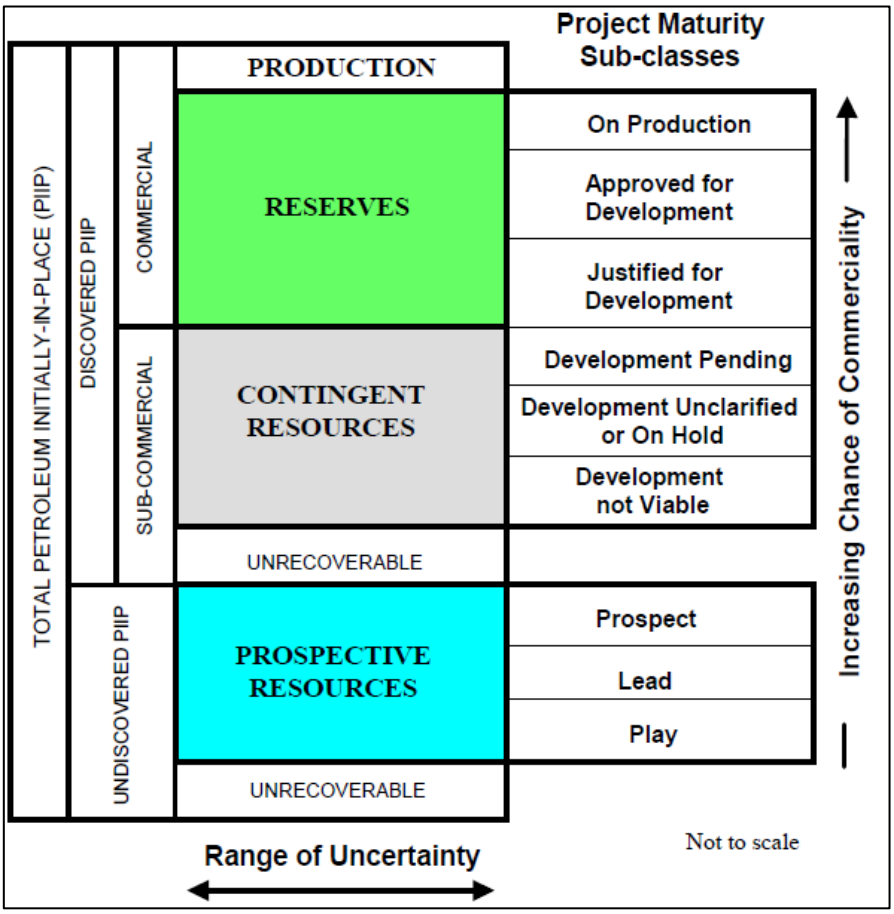


Figure A-3: Project Maturity Sub-Classes

Project Maturity terminology and definitions have been modified from the example provided in the 2001 Supplemental Guidelines, Chapter 2. Detailed definitions and guidelines for each Project maturity sub-class are provided in Table I. This approach supports managing portfolios of opportunities at various stages of exploration and development and may be supplemented by associated quantitative estimates of chance of commerciality. The boundaries between different levels of project maturity may be referred to as "decision gates".

Decisions within the Reserves class are based on those actions that progress a project through final approvals to implementation and initiation of production and product sales. For Contingent Resources, supporting analysis should focus on gathering data and performing analyses to clarify and then mitigate those key conditions, or contingencies that prevent commercial development.

For Prospective Resources, these potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under appropriate development projects. The decision at each phase is to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity where a decision can be made to proceed with exploration drilling.

Evaluators may adopt alternative sub-classes and project maturity modifiers, but the concept of increasing chance of commerciality should be a key enabler in applying the overall classification system and supporting portfolio management.

Reserves Status

Once projects satisfy commercial risk criteria, the associated quantities are classified as Reserves. These quantities may be allocated to the following subdivisions based on the funding and operational status of wells and associated facilities within the reservoir development plan (detailed definitions and guidelines are provided in **Figure A-3**:

- Developed Reserves are expected quantities to be recovered from existing wells and facilities
- Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate
- Developed Non-Producing Reserves include shut-in and behind-pipe Reserves
- Undeveloped Reserves are quantities expected to be recovered through future investments.

Where Reserves remain undeveloped beyond a reasonable timeframe, or have remained undeveloped due to repeated postponements, evaluations should be critically reviewed to document reasons for the delay in initiating development and justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay (see Determination of Commerciality, section 2.1.2) is justified, a reasonable period is generally considered less than 5 years.

Development and production status are of significant importance for project management. While Reserves Status has traditionally only been applied to Proved Reserves, the same concept of Developed and Undeveloped Status based on the funding and operational status of wells and producing facilities within the development project are applicable throughout the full range of Reserves uncertainty categories (Proved, Probable and Possible).

Quantities may be subdivided by Reserves Status independent of sub-classification by Project Maturity. If applied in combination, Developed and/or Undeveloped Reserves quantities may be identified separately within each Reserves sub-class (On Production, Approved for Development, and Justified for Development).

Economic Status

Projects may be further characterized by their Economic Status. All projects classified as Reserves must be economic under defined conditions.

Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

Marginal Contingent Resources are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.

Sub-Marginal Contingent Resources are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is "undetermined." Additional economic status modifiers may be applied to further characterize recoverable quantities; for example, non-sales (lease fuel, flare, and losses) may be separately identified and documented in addition to sales quantities for both production and recoverable resource estimates (see also Reference Point, section 3.2.1). Those discovered in-place volumes for which a feasible development project cannot be defined using current or reasonably forecast improvements in, technology are classified as Unrecoverable.

Economic Status may be identified independently of, or applied in combination with, Project Maturity sub-classification to more completely describe the project and its associated resources.

Appendix B: Glossary of Terms

Assessment - The geosciences, engineering, and associated studies conducted on a petroleum exploration, development, or producing project resulting in estimates of the quantities that can be recovered and sold and the associated cash flow under defined forward conditions. Projects are classified and estimates of derived quantities are categorized according to applicable guidelines.

Basis of value – a statement of the fundamental measurement assumptions of a valuation.

Best Estimate - This is considered the best estimate of the quantity that will actually be recovered from the accumulation by the project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate. For prospective resources estimates, this estimate is dependent on a discovery being made. For contingent resources, this estimate is dependent on economic contingencies being successfully addressed.

BOE – Barrels of oil equivalent to a gas volume (see Crude Oil equivalent)

Capital Costs - Monies spent in drilling and completing a well that cannot be deducted under federal income tax law. The monies are recovered by the slower and less desirable depletion or depreciation methods. Capital expenditures also include geological and geophysical costs, equipment costs, and lease bonuses.

Commerciality - When a project is commercial, this implies that the essential social, environmental, and economic conditions are met, including political, legal, regulatory, and contractual conditions. In addition, a project is commercial if the degree of commitment is such that the accumulation is expected to be developed and placed on production within a reasonable period.

Condensate - Condensates are a portion of natural gas of such composition that are in the gaseous phase at temperature and pressure of the reservoirs, but that, when produced, are in the liquid phase at surface pressure and temperature.

Contingent Resources - Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered commercially recoverable due to one or more commercial contingencies.

Cost approach – provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.

Cost Recovery - Under a typical production-sharing agreement, the contractor is responsible for the field development and all exploration and development expenses. In return, the contractor recovers costs (investments and operating expenses) out of the gross production stream. The contractor normally receives payment in oil production and is exposed to both technical and market risks.

Crude Oil - Crude Oil is the portion of petroleum that exists in the liquid phase in natural underground reservoirs and remains liquid at atmospheric conditions of pressure and temperature. Crude Oil may include small amounts of non-hydrocarbons produced with the liquids. Crude Oil has a viscosity of less than or equal to 10,000 centipoises at original reservoir temperature and atmospheric pressure, on a gas free basis.

Crude Oil Equivalent - Converting gas volumes to the oil equivalent is customarily done based on the heating content or calorific value of the fuel. There are a number of methodologies in common use. Before aggregating, the gas volumes first must be converted to the same temperature and pressure. Common industry gas conversion factors usually range between 1.0 barrel of oil equivalent (boe) = 5.6 thousand standard cubic feet of gas (mscf) to 1.0 boe = 6.0 mscf.

Density - Mass per unit of volume. Density is typically reported in g/cc (for example, rocks) or pounds per barrel (drilling mud) in the oil field.

Estimated Ultimate Recovery - Those quantities of petroleum, which are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced.

Exploration Well - A well drilled in order to locate an undiscovered petroleum reservoir, either by discovering a new field or a new shallower or deeper reservoir in a previously discovered field.

Fair Market Value - The amount of money (or the cash equivalent of some other consideration) determined by the expert in accordance with the provisions of the VALMIN Code for which the mineral or petroleum asset or security should change hands on the valuation date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion. Value is usually comprised of two components, the underlying or 'technical value' of the mineral or petroleum asset or security and a premium or discount relating to market, strategic, or other considerations. Value should be selected as the most likely figure from within a range after taking account of risk and the possible variation in ore grade, metallurgical recovery, capital and operating costs, commodity prices, exchange rates and the like.

Field - An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impermeable rock, laterally by local geologic barriers, or both. It could be defined differently by regulatory authorities.

Flare Gas - Total volume of vented or flared gas.

Flow Test - An operation on a well designed to demonstrate the existence of moveable petroleum in a reservoir by establishing flow to the surface and/or to provide an indication of the potential productivity of that reservoir. Some flow tests, such as drill stem tests (DSTs), are performed in the open hole. A DST is used to obtain reservoir fluid samples, static bottomhole pressure measurements, indications of productivity and short-term flow and pressure buildup tests to estimate permeability and damage extent. Other flow tests, such as single-point tests and multi-point tests, are performed after the well has been cased. Single-point tests typically involve a measurement or estimate of initial or average reservoir pressure and a flow rate and flowing bottomhole pressure measurement. Multi-point tests are used to establish gas well deliverability and absolute open flow potential.

Fluid Contacts - Typically defined as Oil/Water Contact, Gas/Oil Contact, and Gas/Water Contact.

Formation - A strata of rock that is sufficiently distinctive and continuous that it can be mapped.

Forward Sales - There are a variety of forms of transactions that involve the advance of funds to the owner of an interest in an oil and gas property in exchange for the right to receive the cash proceeds of production, or the production itself, arising from the future operation of the property. In such transactions, the owner almost invariably has a future performance obligation, the outcome of which is uncertain to some degree. Determination as to whether the transaction represents a sale or financing rests on the particular circumstances of each case.

Fuel Gas - Gas used for field and plant operations. Substantial savings can be achieved to the operating cost of a project by avoiding the purchase of alternative supplies of gas or refined fuels such as diesel. SPE guidance allows the option to include fuel gas as part of the reserves estimate as long as an appropriate expense for the gas is included in the cash flow analysis.

High Estimate - This is considered an optimistic estimate of the quantity that will actually be recovered from an accumulation by a project. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate. For prospective resources estimates, this estimate is dependent on a discovery being made. For contingent resources, this estimate is dependent on contingencies being successfully addressed.

Horizontal Well - A well that is drilled by deviation drilling and tracks the dip of a subsurface reservoir. A horizontal well traditionally consists of a vertical section and a lateral horizontal section, which penetrates the target reservoir.

Income approach – provides an indication of value by converting future cash flows to a single current capital value.

Investment value – the value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Low Estimate - This is considered a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate. For prospective resources estimates, this estimate is dependent on a discovery being made. For contingent resources, this estimate is dependent on contingencies being successfully addressed.

Market approach – provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.

Net Thickness - The net thickness of the reservoir excluding tight non-pay rock. Total reservoir thickness is the gross.

Operating Costs - The direct operating costs plus district overhead plus employee benefits for a specific producing property.

Original Gas-in-Place (OGIP) - The total quantity of natural gas that is estimated to exist originally in naturally occurring reservoirs.

Overburden Thickness - The thickness of the overburden rock above top of the coal seam. The distance between ground level and the top of the coal seam.

Permeability - The measurement of a rock's ability to transmit fluids, typically measured in darcies or millidarcies.

Pilot - A small development project to validate the petroleum engineering estimates of recovery, rates, and spacing before the operator commits to commercial development.

Probabilistic Methods - The method of estimation of resources is called probabilistic when the known geoscience, engineering, and economic data are used to generate a continuous range of estimates and their associated probabilities.

Probability - The extent to which an event is likely to occur, measured by the ratio of the favourable cases to the whole number of cases possible. SPE convention is to quote cumulative probability of exceeding or equalling a quantity where P90 is the small estimate and P10 is the large estimate.

Production Sharing Contract (PSC) - An agreement between the parties to a well and a host country regarding the percentage of production each party will receive after the participating parties have recovered a specified amount of costs and expenses.

Prospect - A project associated with a potential accumulation that is sufficiently well defined to present a viable drilling target.

Prospective Resources - Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Rat hole - Extra hole drilled at the end of the well (beyond the last zone of interest) to ensure that the zone of interest can be fully evaluated or a sump to enable dewatering.

Recovery Factor - A numeric expression of that portion of in place quantities of petroleum estimated to be recoverable by specific processes or projects, most often represented as a percentage.

Reserves - Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied.

Risk - The probability of loss or failure.

Risk Factor - The chance of success.

Special assumption – an assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date

Structure - A geological feature produced by deformation of the Earth's crust, such as a fold or a fault; a feature within a rock, such as a fracture or bedding surface; or, more generally, the spatial arrangement of rocks.

Valuation date – the date on which the opinion of value applies. The valuation date shall also include the time at which it applies if the value of the type of asset can change materially in the course of a single day.

Valuation Review – the act or process of considering and reporting on a valuation undertaken by another party, which may or may not require the reviewer to provide their own valuation opinion.

Vertical Well - A well drilled vertically into the subsurface.

Volumetric Estimate - An estimate of the volume of gas-in place or resources/reserves using generally accepted petroleum-engineering equations.

Uncertainty - The range of possible outcomes in a series of estimates. For recoverable resources assessments, the range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities for an individual accumulation or a project.

Appendix C: Details of Licences

NavGas Petroleum Permits and Applications for Acquisition

(NavGas, a subsidiary of ASX listed Dark Horse Resources Limited (OHR) (92.78%) and two individuals (3.22% total)

South Australia

PELA577

PEP particulars: The areal coverage is 9,671.5 km^2. NavGas is a permit applicant.

Historic exploration: Only three petroleum wells have been drilled. Very sparse seismic coverage with only 81 km of 2D seismic lines acquired over the permit.

Permit application expenditure: A total of A$26,644 has been spent.

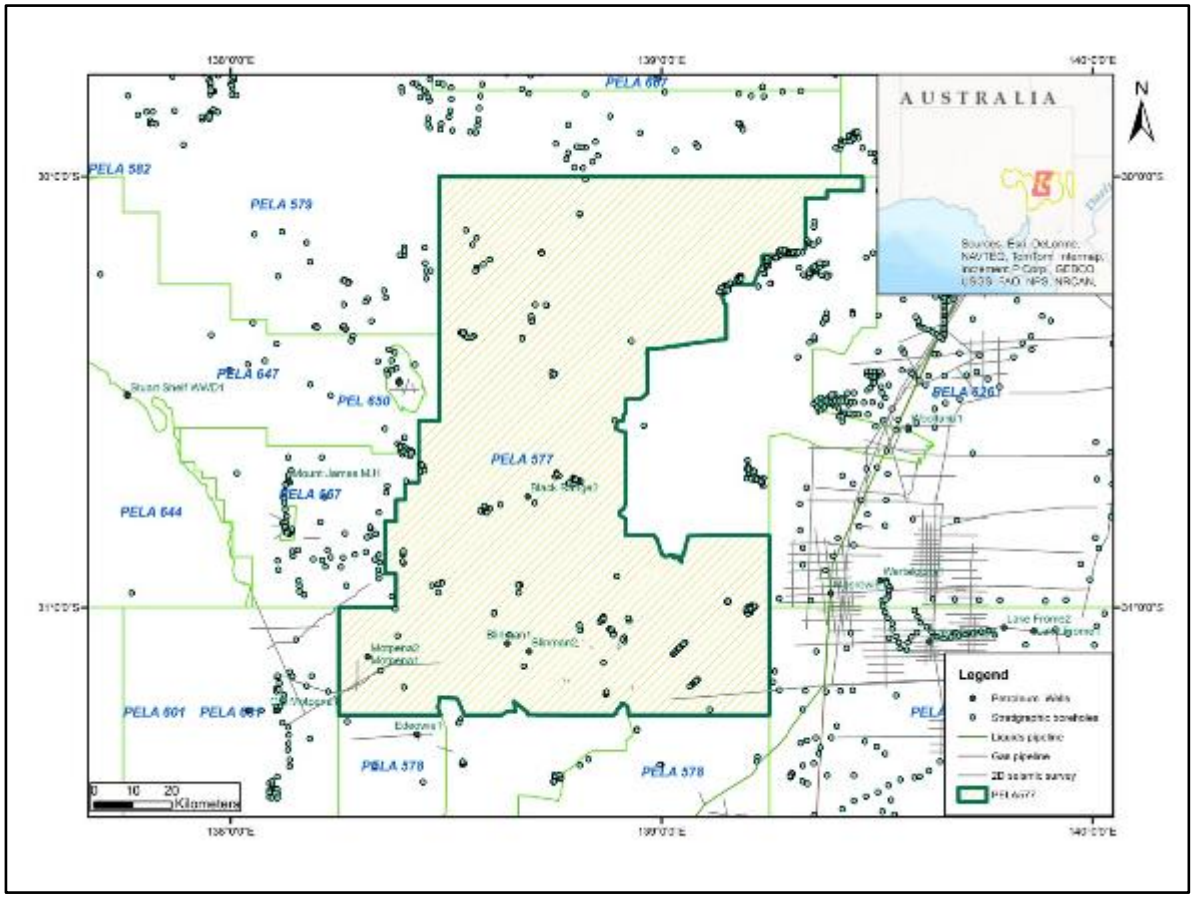


Figure C-1: Location map of retention lease PELA577

PELA578

PEP particulars: The areal coverage is 9,343.7 km^2. NavGas is a permit applicant.

Historic exploration: No petroleum wells have been drilled. Sparse seismic coverage with only 332.6 km of 2D seismic lines acquired over the permit.

Permit application expenditure: **A total of A$26,644 has been spent.**

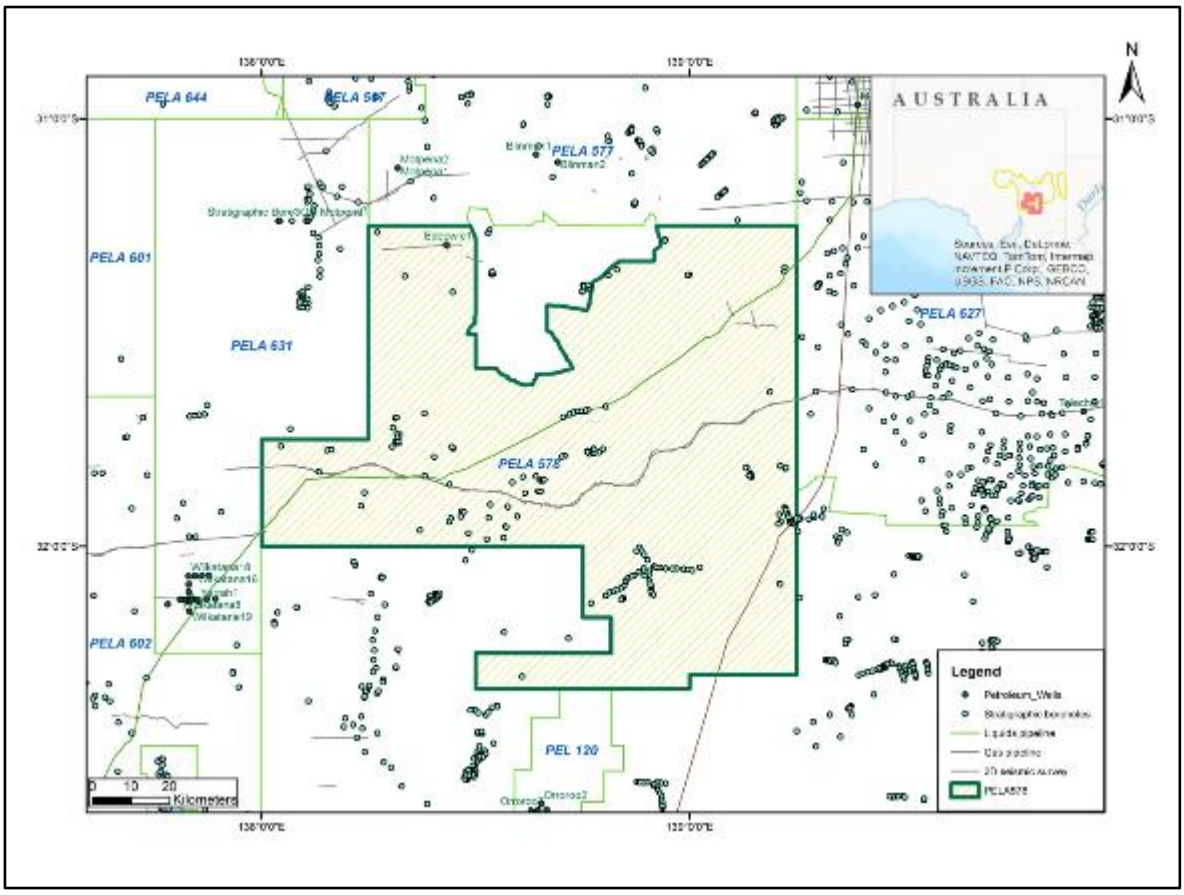


Figure C-2: Location map of PELA578

PELA579

PEP particulars: The areal coverage is 9,902.3 km^2. NavGas is a permit applicant.

Historic exploration: No petroleum wells have been drilled. Very sparse seismic coverage with only 126 km of 2D seismic lines acquired over the permit.

Permit application expenditure: **A total of A$26,644 has been spent.**

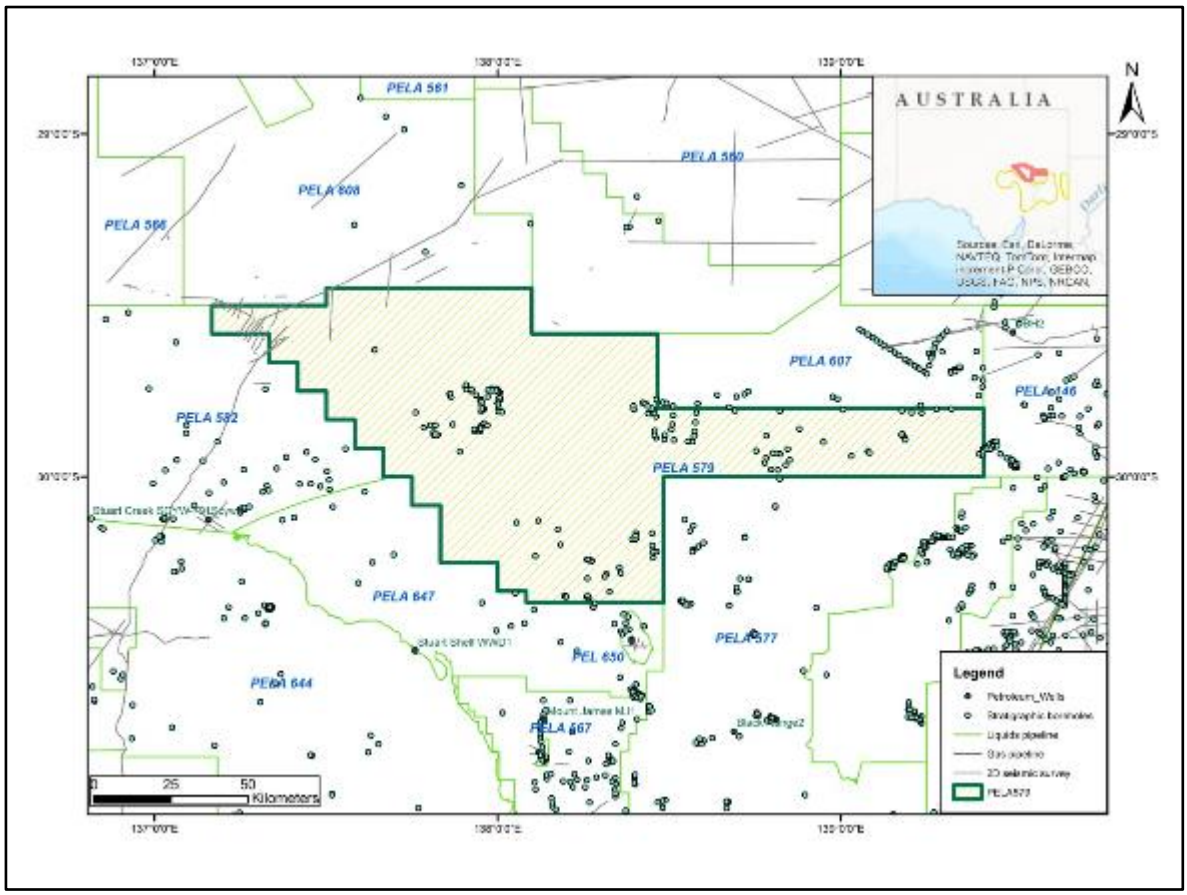


Figure C-3: Location map of PELA579

PELA601

PELA particulars: The areal coverage is 8,279.6 km^2. NavGas is a permit applicant.

Historic exploration: No petroleum wells have been drilled. Very sparse seismic coverage with only 92 km of 2D seismic lines acquired over the permit.

Permit application expenditure: **A total of A$26,644 has been spent.**

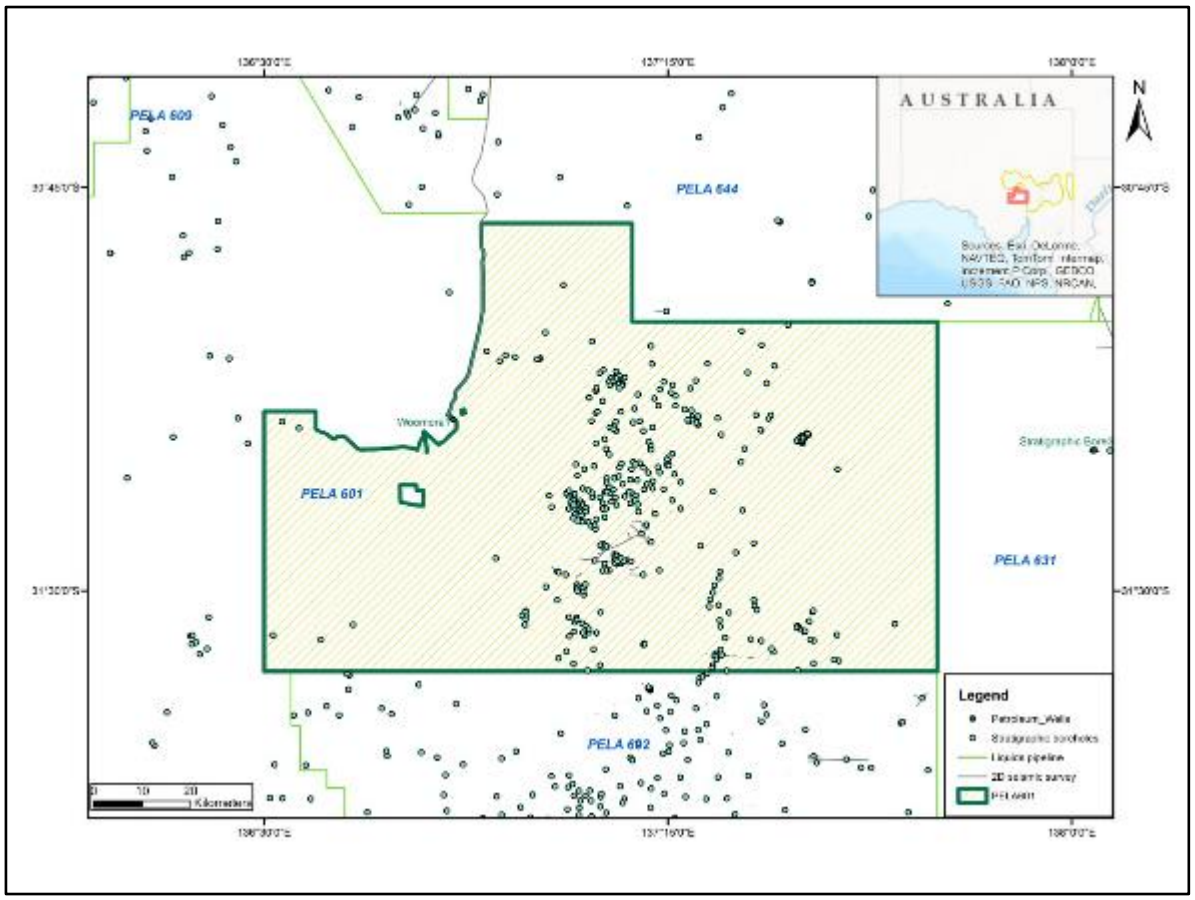


Figure C-4: Location map of PELA601

PELA602

PELA particulars: The areal coverage is 9,593 km^2. NavGas is a permit applicant.

Historic exploration: No petroleum wells have been drilled. Very sparse seismic coverage with only 143 km of 2D seismic lines acquired over the permit.

Permit application expenditure: **A total of A$26,722 have been spent.**

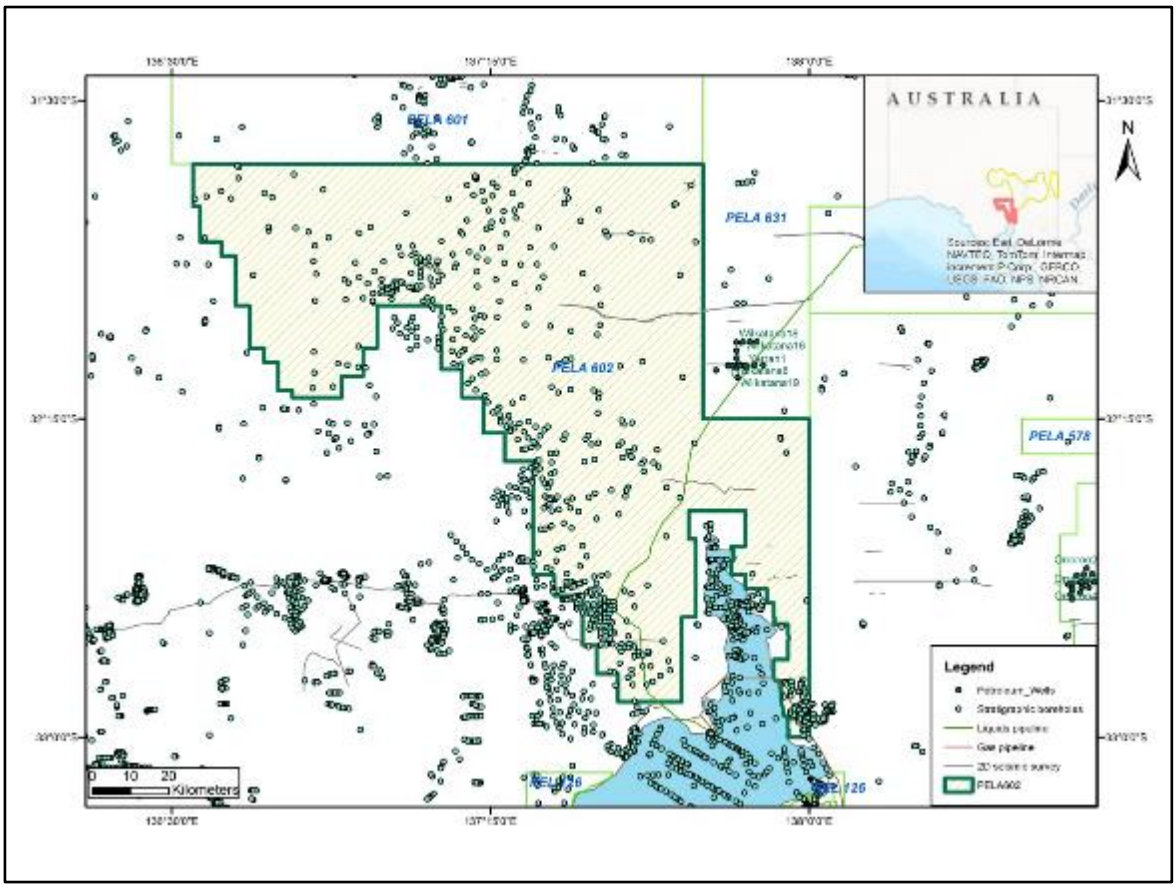


Figure C-5: Location map of PELA602

PELA631

PELA particulars: The areal coverage is 5,271.5 km^2. NavGas is a permit applicant.

Historic exploration: Twelve petroleum wells have been drilled in the Wilkatana Oilfield. The field is a breached supergiant with only residual oil remaining today. Very sparse seismic coverage with only 216 km of 2D seismic lines acquired over the permit.

Permit application expenditure: **A total of A$37,420 has been spent.**

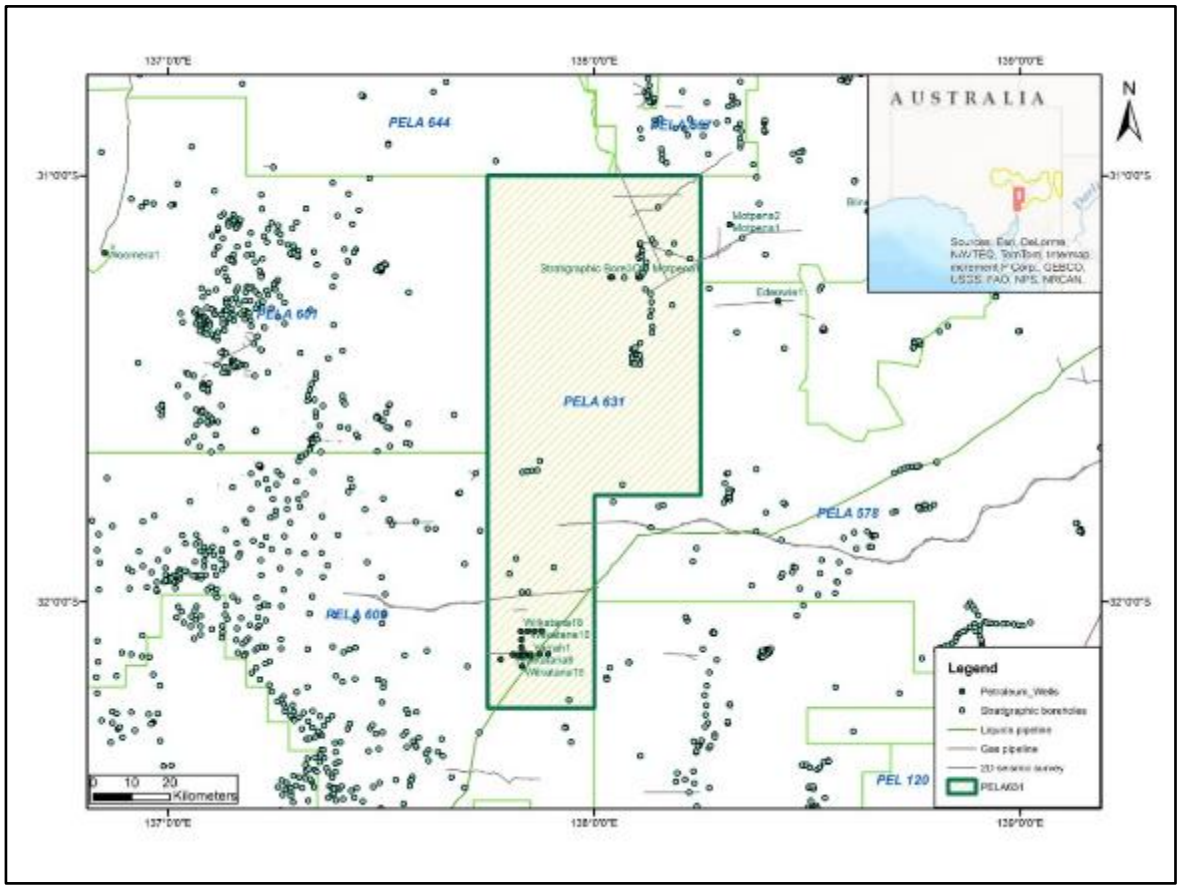


Figure C-6: Location map of PELA631

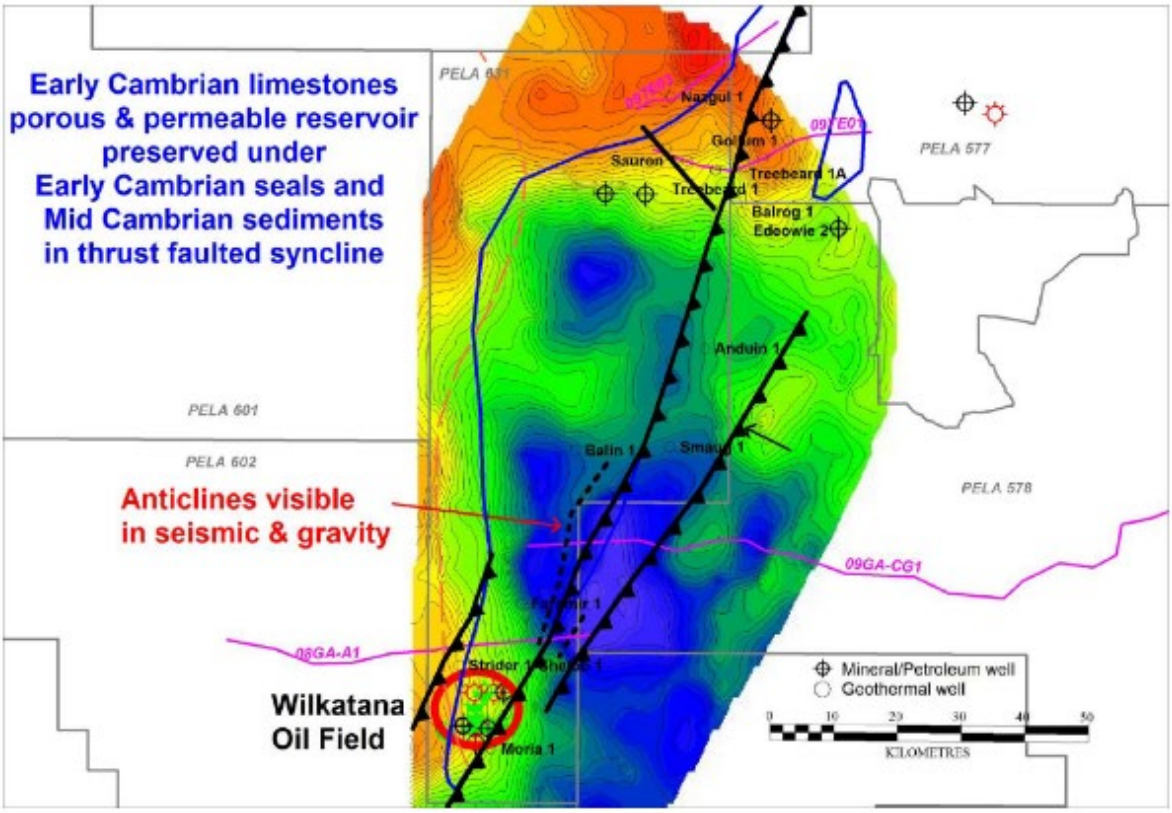


Figure C-7: Anticlines interpreted in seismic & gravity – potential leads map of PELA631

Queensland

ATP1183

PEP particulars: The areal coverage is 992.1 km^2. The ATP's was approved on 20/06/2014. The expiry date is 30th June 2020. NavGas has a 100% interest.

Historic exploration: Twenty-one petroleum wells have been drilled in the block. Good seismic coverage with 1,300 km of 2D seismic lines acquired over the permit.

PEP expenditure: A total of A$104,901 has been spent to date.

Table C-1: ATP1183 Permit expenditure

Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure (A$)
1	1/07/2014	1/07/2015	Seismic Reprocessing & Interpretation, Technical Studies	$78,870
2	1/07/2015	1/07/2016	Seismic Reprocessing & Interpretation, Technical Studies	$26,031

Table C-2: ATP1183 Proposed permit work program

Summary of Application Work Program

Costs	Year 1	Year 2	Year 3	Year 4	TOTAL
Rig Mobilisation	$200,000	$200,000	$200,000	$200,000	$800,000
Site Establishment and Rehab	$10,000	$10,000	$20,000	$20,000	$60,000
Petroleum Well Drilling	$1,780,000	$1,800,000	$3,300,000	$3,350,000	$10,230,000
Well Testing Cost	$50,000	$50,000	$100,000	$100,000	$300,000
Seismic Survey including mobilisation & Interpretation	$700,000				$700,000
Reprocessing	$100,000				$100,000
Technical Assessment and Support	$200,000	$250,000	$250,000	$250,000	$950,000
Work Camp/accommodation	$20,000	$20,000	$40,000	$40,000	$120,000
Total Cost	$3,060,000	$2,330,000	$3,910,000	$3,960,000	$13,260,000
Number of Wells Drilled	1	1	2	2	6
Total Metres Drilled (m)	1,780	1,800	3,300	3,350	10,230
2D Seismic Survey (km)	100				100

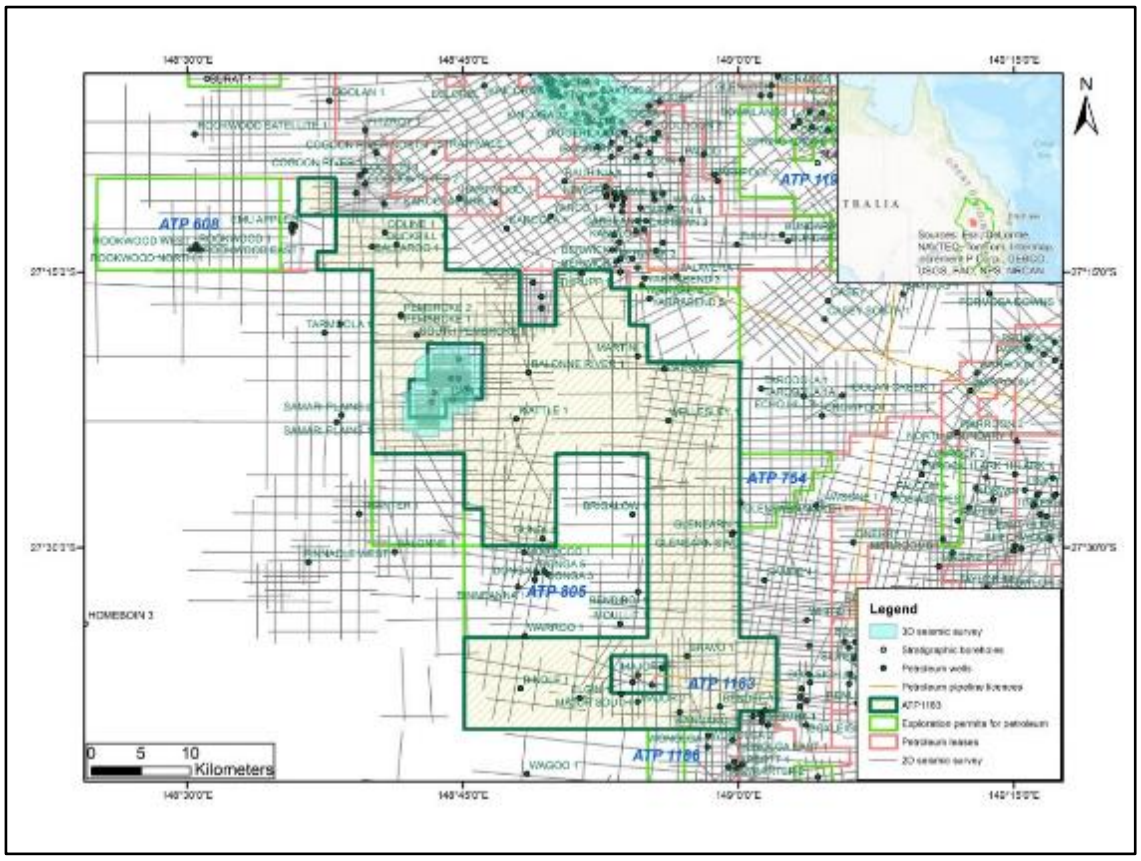


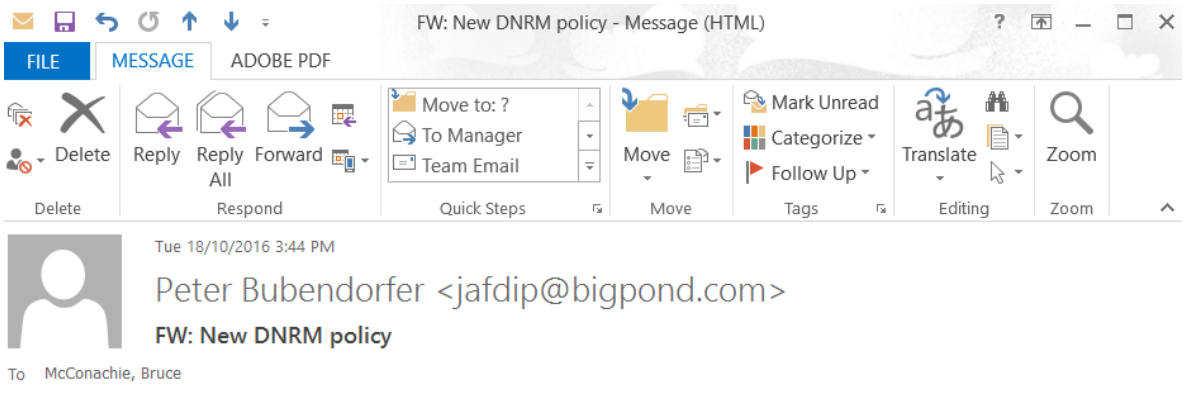
Figure C-8: Location map of exploration permit for petroleum ATP1183

Explanation for yearly compliance

SRK considers the likelihood of failure to meet the commitments such that the permit is forfeit is not relevant. It is typical in exploration that companies undertake work to promote value and this is the case with many small companies. Our valuation date is 16th November 2016 and the permit is in good standing until 2020. The permit has significant current value.

The value of exploration is commonly realised by farm out arrangements promotes to achieve additional discoveries leveraged of low cost G&G exploration.

The state of the East Coast Australian Gas market is such that price increases well before 2020 will supplement the promote work and the permit will be kept in good standing as it has fundamental gas Resources and Prospectivity. The minimum value is represented by the current expenditures on the permit which is in good standing (**Refer Section 4-4**).



Bruce, no file note but I sent an email at the time. Registrar was quite definite about it but never got anything in writing.

Peter

From: Peter Bubendorfer [mailto:jafdip@bigpond.com]
Sent: Tuesday, 2 September 2014 2:06 PM
To: Luke Titus <ltitus@armourenergy.com.au>
Cc: Robbert de Weijer <RdeWeijer@armourenergy.com.au>; Nick Mather <NMather@dgrglobal.com.au>
Subject: New DNRM policy

Luke

I spoke to the registrar, he confirmed that only a 4 year program is to be submitted with these tenders, however the automatic 2 year extension of the program only applies where the permit will be (for this tender) or was (for existing permits) granted for a 12 year term - in other cases the extension has to be applied for by letter.

If I understood right, the DNRM is no longer going to apply the yearly program rigorously, as long as it is all completed within 6 years. So if a required well is not drilled in that year there won't be a penalty relinquishment so long as an effort is being made. He said that might seem odd given the way the competitiive tender process works, but that is the new policy.

Peter

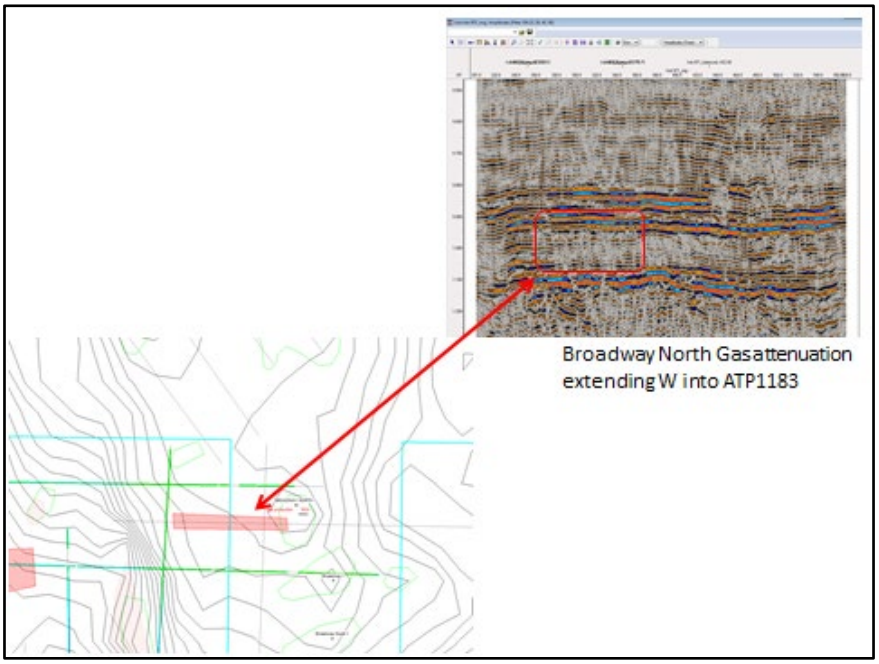


Figure C-9: Observed frequency attenuation in a reservoir interval extending in ATP1183

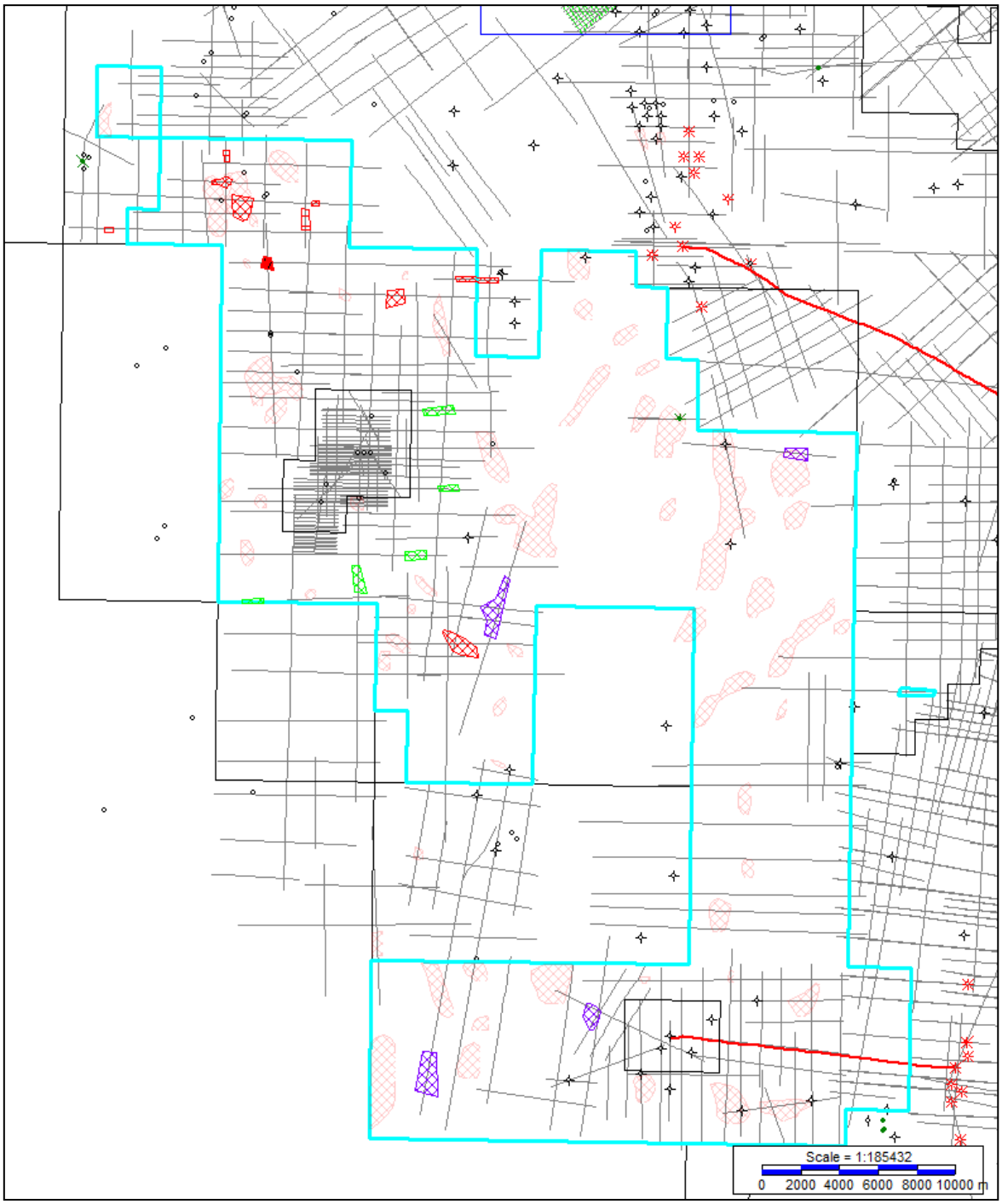


Figure C-10: Location map of exploration permit for petroleum ATP1183 with NavGas prospect and leads (light red) and SRK interpreted seismic attenuation potentially related to hydrocarbons and gas chimneys (red, green & purple)

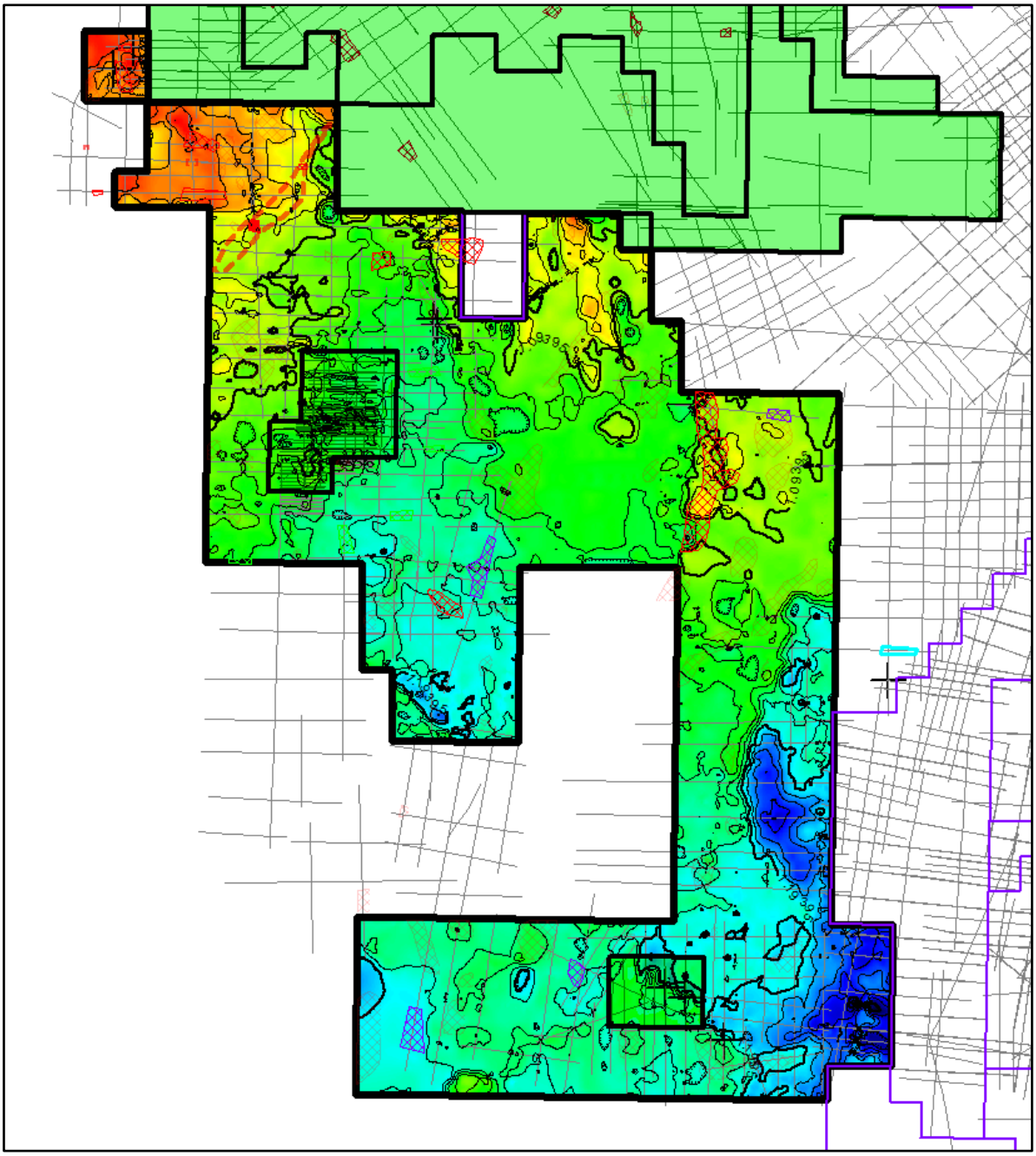


Figure C-11: SRK interpretation of Boxvale Horizon across ATP1183

Lakes Oil NL Petroleum Exploration Permits

Victoria

PEP163

PEP particulars: The areal coverage of PEP163 is 542 km^2. The PEP's expiry date is 18th October 2016 – Mirboo Ridge Pty Ltd (i.e. subsidiary of Lakes Oil N.L.) holds a 100% interest.

Historic exploration: A total of 13 petroleum wells have been drilled into Gippsland Basin sediments that underlie PEP163 (**Figure C-12**). Hindhaugh Creek-1 flowed gas to surface from the Eumeralla Fm. The seismic coverage is sparse with a total 325 km of 2D seismic lines acquired over the permit.

PEP expenditure: A total of A$498,851.9 has been spent.

Table C-3: PEP163 permit proposed expenditure (a total of A$2,330,000)

Permit Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure (A$)
1	19/07/2007	18/07/2008	G & G Studies	$30,000
2	19/07/2008	18/01/2011	25 km MT Survey	$150,000
3	19/01/2010	18/01/2011	G & G Studies	$50,000
4	19/01/2011	18/04/2016	Drill 1 Well	$2,000,000
5	19/10/2015	18/10/2016	Data Review	$100,000

* The last 12-month Suspension & Extension application was approved 18/10/2015

* A 12-month Suspension & Extension application was submitted on the 14/10/2015 to further extend the 4th year work program

* This application is still pending

* Some of the year ends don't reconcile with the following year starts due to Suspension & Extension applications

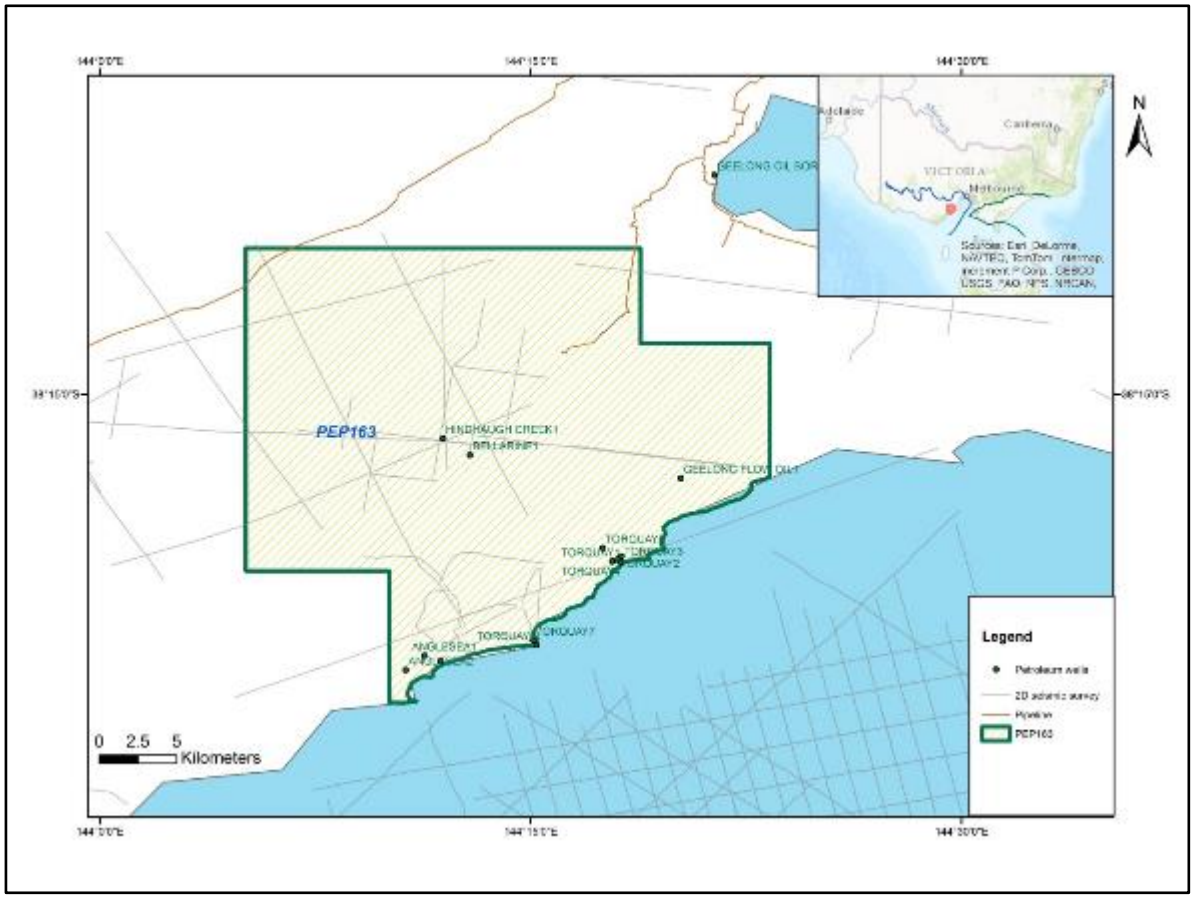


Figure C-12: Location map of petroleum exploration permit PEP163

PEP166

PEP particulars: The areal coverage of PEP166 is 1,753 km^2. The PEP's expiry date is 2nd October 2016 – Petro Tech Pty Ltd (i.e. subsidiary of Lakes Oil N.L.) holds a 100% interest.

Historic exploration: A total of 13 petroleum wells have been drilled into Gippsland Basin sediments that underlie PEP166 (**Figure C-13**). No discoveries are reported. The seismic coverage is very sparse with a total 188 km of 2D seismic lines acquired over the permit.

PEP expenditure: A total of A$6,405,927.7 has been spent.

Table C-4: PEP166 permit proposed expenditure (a total of A$4,560,000)

Permit Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure (A$)
1	3/01/2008	2/01/2009	G & G Studies	$30,000
2	3/01/2009	2/01/2011	25 km MT Survey	$500,000
3	3/01/2011	2/04/2013	Drill 1 Well	$2,000,000
4	3/10/2013	2/10/2015	G & G Studies	$30,000
5	3/10/2015	2/10/2016	Drill 1 Well and Data Review	$2,000,000

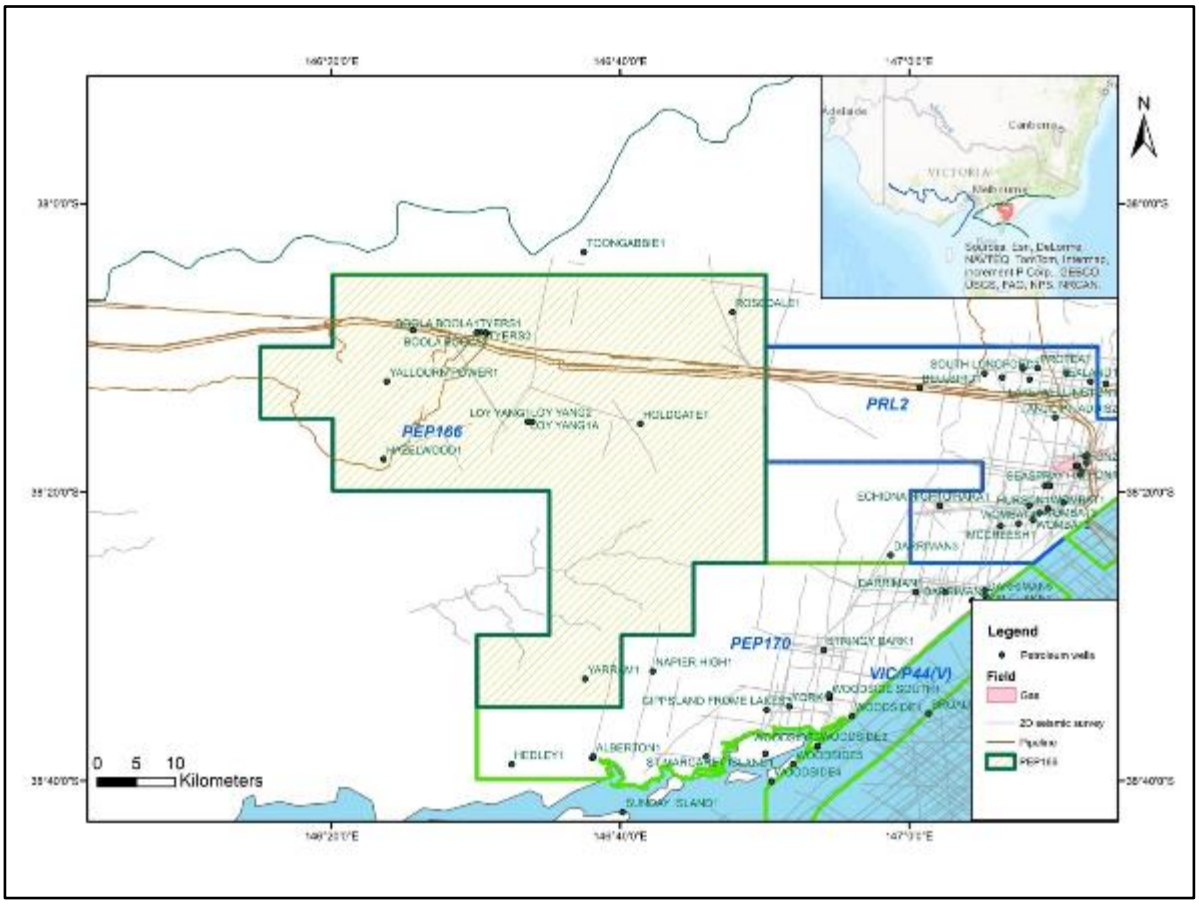


Figure C-13: Location map of petroleum exploration permit PEP166

PEP167

PEP particulars: The areal coverage of PEP167 is 408 km^2. The PEP's expiry date is 1st March 2019 – Mirboo Ridge Pty Ltd (i.e. subsidiary of Lakes Oil N.L.) holds a 100% interest.

Historic exploration: Three petroleum wells have been drilled into Otway Basin sediments that underlie PEP167 (**Figure C-14**). Port Fairy-1 flowed oil and gas to surface from the Waare Sandstone. The seismic coverage is good, with 742 km of 2D seismic lines acquired over the permit

PEP expenditure: A total of A$5,462,377.5 has been spent.

Table C-5: PEP167 permit proposed expenditure (a total of A$4,600,000)

Permit Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure (A$)
1	2/07/2012	1/03/2014	G&G studies	$250,000
2	2/03/2014	1/03/2016	G&G studies	$250,000
3	2/03/2016	1/03/2017	Acquire 150km 2D seismic	$1,250,000
4	2/03/2017	1/03/2018	G&G studies	$250,000
5	2/03/2018	1/03/2019	Drill 1 Well	$2,600,000

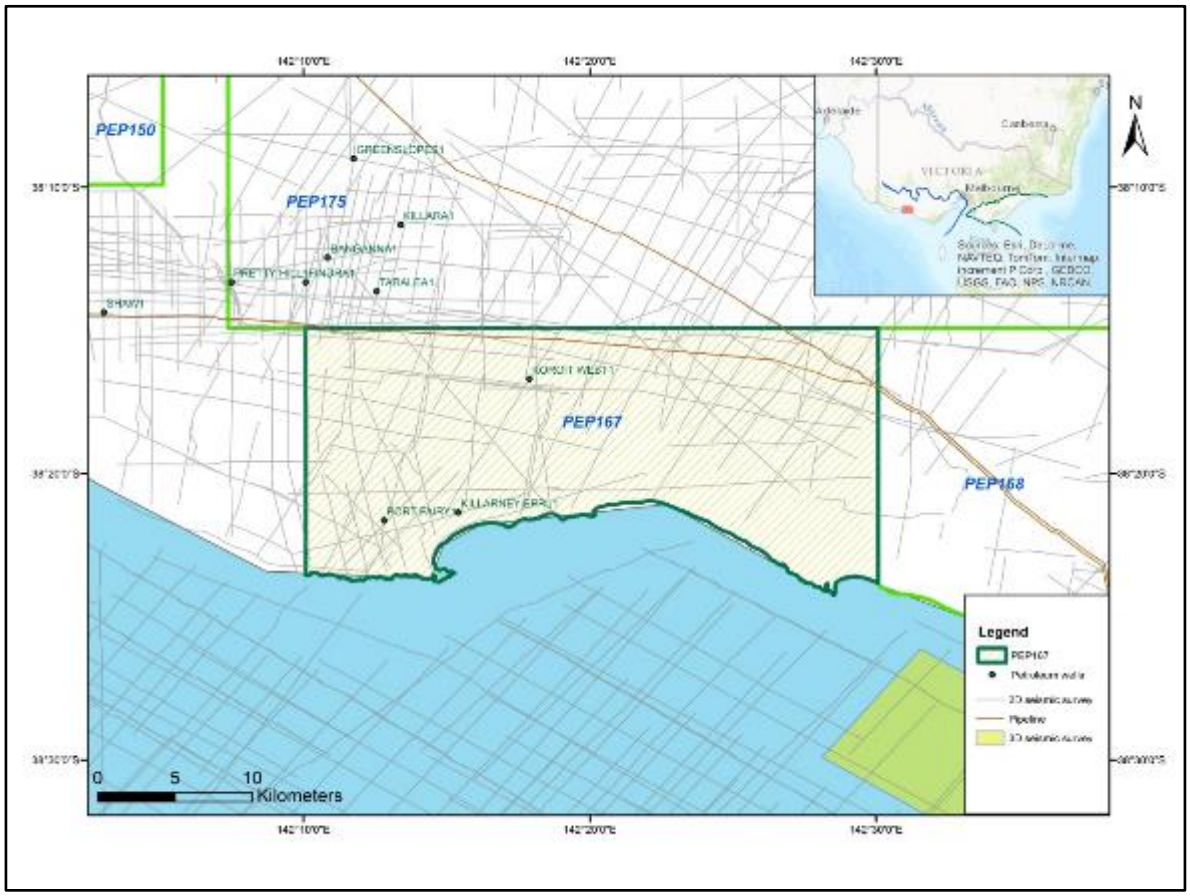


Figure C-14: Location map of petroleum exploration permit PEP167

PEP169

PEP particulars: The areal coverage of PEP169 is 1,135 km^2. The PEP's expiry date is 24th October 2016 –Mirboo Ridge Pty Ltd (i.e. Lakes Oil N.L.) holds a 100% interest.

Historic exploration: A total of 13 petroleum wells have been drilled into Otway Basin sediments that underlie PEP169. Oil and gas discoveries are reported; also, large gas fields lie immediately offshore. The seismic coverage is dense with 3,124 km of 2D seismic lines acquired over the permit

PEP expenditure: A total of A$4,008,815.8 has been spent.

Table C-6: PEP169 permit proposed expenditure (a total of A$7,200,000)

Permit Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure (A$)
1	25/06/2007	24/06/2008	G & G Studies	$100,000
2	25/06/2008	24/06/2009	G & G Studies	$100,000
3	25/06/2009	24/06/2012	Drill 1 Well	$2,000,000
4	25/06/2010	24/10/2015	Drill 1 Well	$2,000,000
5	25/04/2014	24/10/2016	Drill 1 Well & Frac (if necessary)	$3,000,000

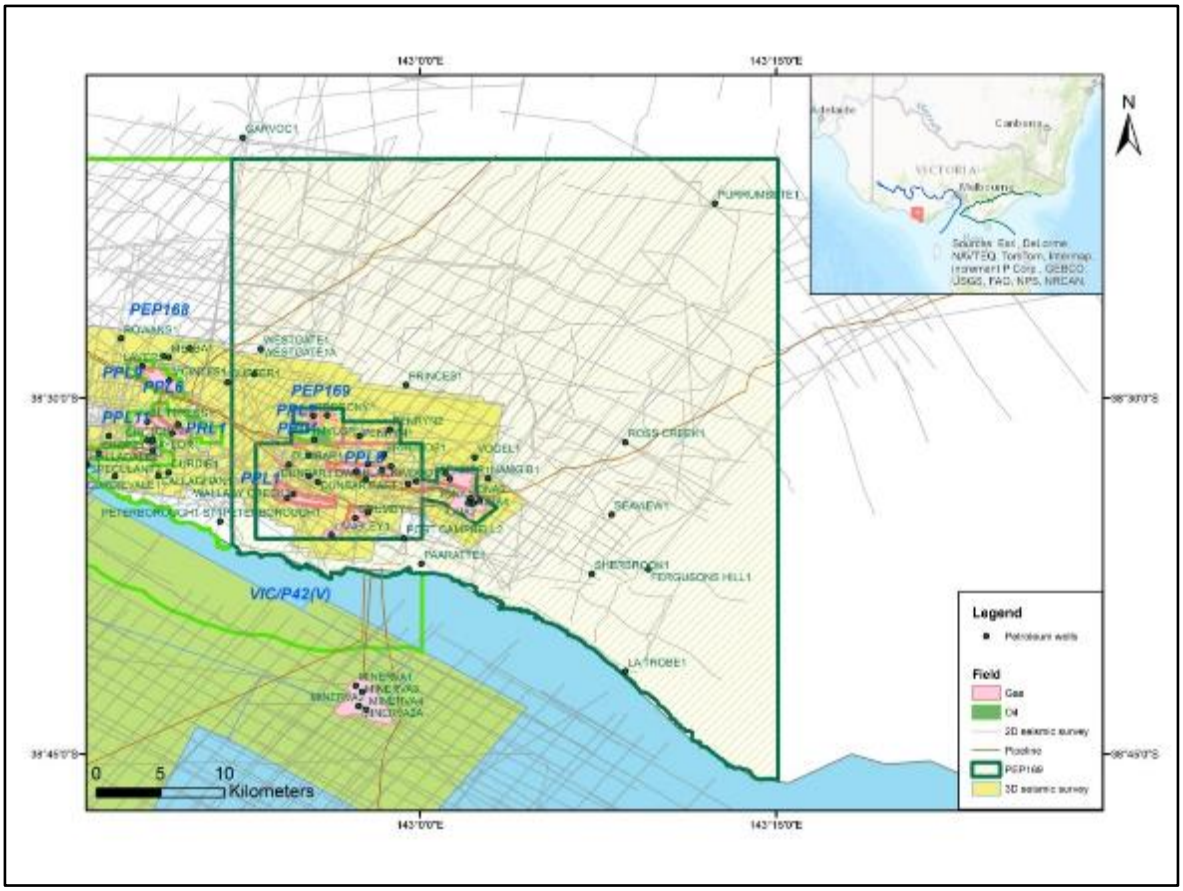


Figure C-15: Location map of petroleum exploration permit PEP169

PEP175

PEP particulars: The areal coverage of PEP175 is 1,419 km^2. The PEP's expiry date is 17th April 2019 – Mirboo Ridge Pty Ltd (i.e. Lakes Oil N.L.) has a 100% interest.

Historic exploration: A total of 11 petroleum wells have been drilled into Otway Basin sediments that underlie PEP175 (**Figure C-16**). No petroleum discoveries are reported. The seismic coverage is moderate, with 1,774 km of 2D seismic lines acquired over the permit.

PEP expenditure: A total of A$366,859.1 has been spent.

Table C-7: PEP175 permit proposed expenditure (a total of A$5,100,000)

Permit Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure (A$)
1	18/04/2013	17/04/2014	G&G studies	$250,000
2	18/04/2014	17/04/2016	G&G studies	$350,000
3	18/04/2016	17/04/2017	Acquire 150km 2D seismic	$750,000
4	18/04/2017	17/04/2018	Drill 1 Well	$3,500,000
5	18/04/2018	17/04/2019	G&G studies	$250,000

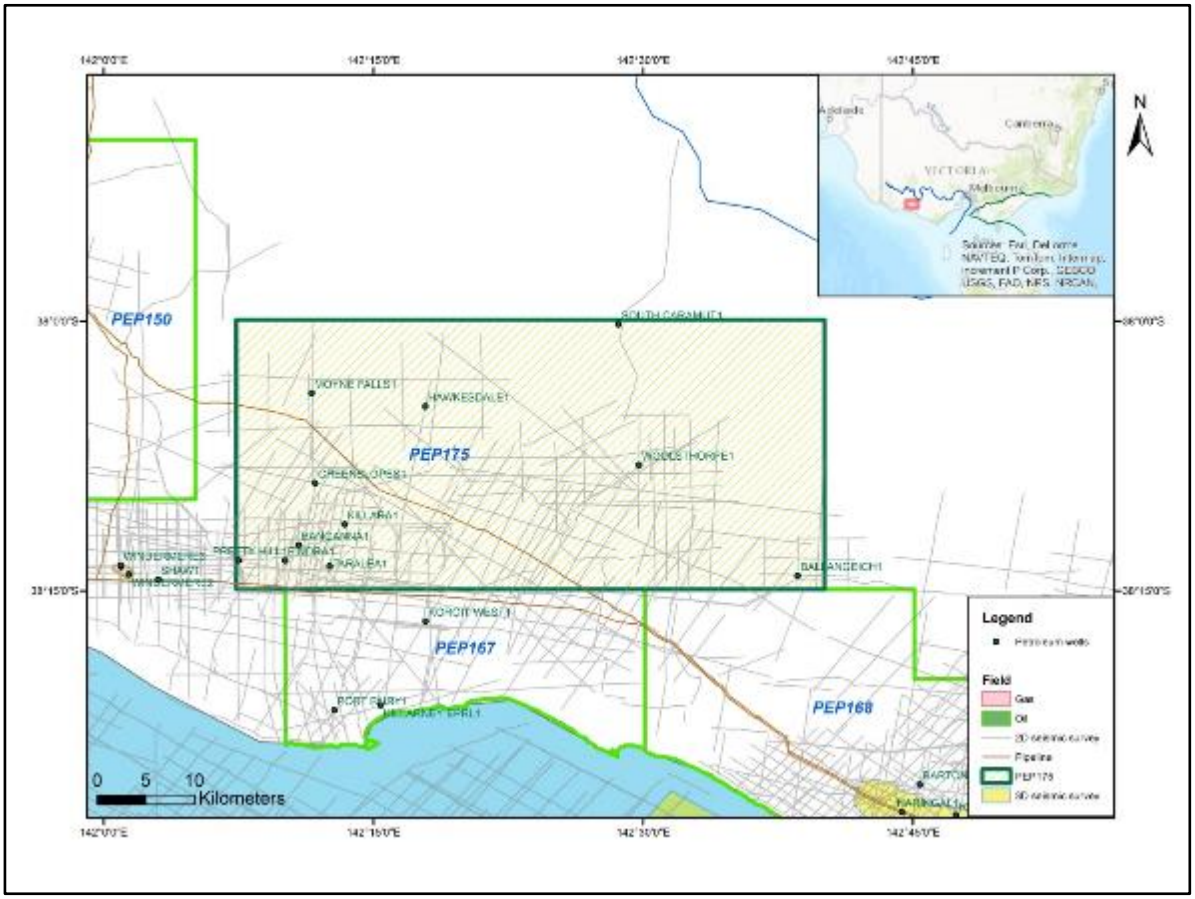


Figure C-16: Location map of petroleum exploration permit PEP175

PRL2

PRL particulars: The areal coverage of PRL2 is 747 km^2. Petro Tech Ply Ltd (Lakes Oil N.L.) operates the PRL that expires on the 26th February 2019.

Historic exploration: A total of 37 petroleum wells have been drilled in PRL2 (**Figure C-17**). The seismic coverage is dense in the eastern part of the PRL with 880 km of 2D seismic lines acquired over the permit. The western part of the PRL is poorly explored. The Wombat oil field remains the main discovery in PRL2 with Wombat-3 recovering 10 barrels of oil. The Wombat-2 re-fractured well following a clean-out flowed at an initial estimated rate of 4.3 MM ft³/d and later decreased and stabilised to 1.35 MM ft³/d flowing through a ½'' choke (Lakes Oil, 2009).

PRL expenditure: A total of A$50,050,908.2 has been spent.

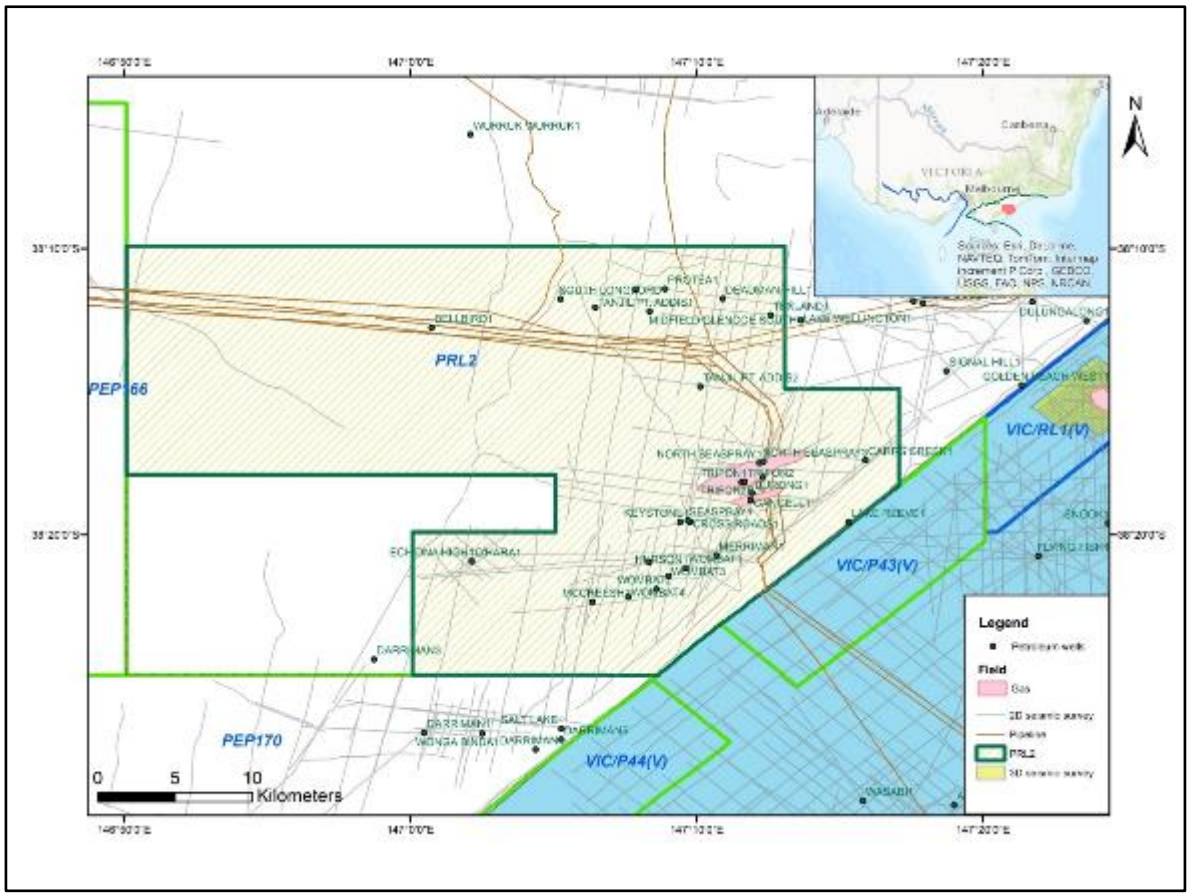


Figure C-17: Location map of retention lease PRL2

PRL3

PRL particulars: The areal coverage of PRL3 is 124 km^2. Petro Tech Ply Ltd (i.e. subsidiary of Lakes Oil N.L.) operates the PRL that expires on the 26th February 2017.

Historic exploration: A total of 59 petroleum wells have been drilled in PRL3 (**Figure C-18**). The seismic coverage is very sparse with 48 km of 2D seismic lines acquired over the permit. The Lakes Entrance oil field is the main discovery in the PRL. The Lakes Entrance oil is a shallow accumulation in Glauconitic sandstones of the Lakes Entrance Formation. From discovery in 1924 to cessation of production in 1957, over 8,000 barrels were produced from over 30 wells (Jessop, 1966). The oil is 15.7^0 API gravity occasionally accompanied by methane and nitrogen in small quantities (Jessop, 1966).

PRL expenditure: A total of A$2,105,000 has been spent.

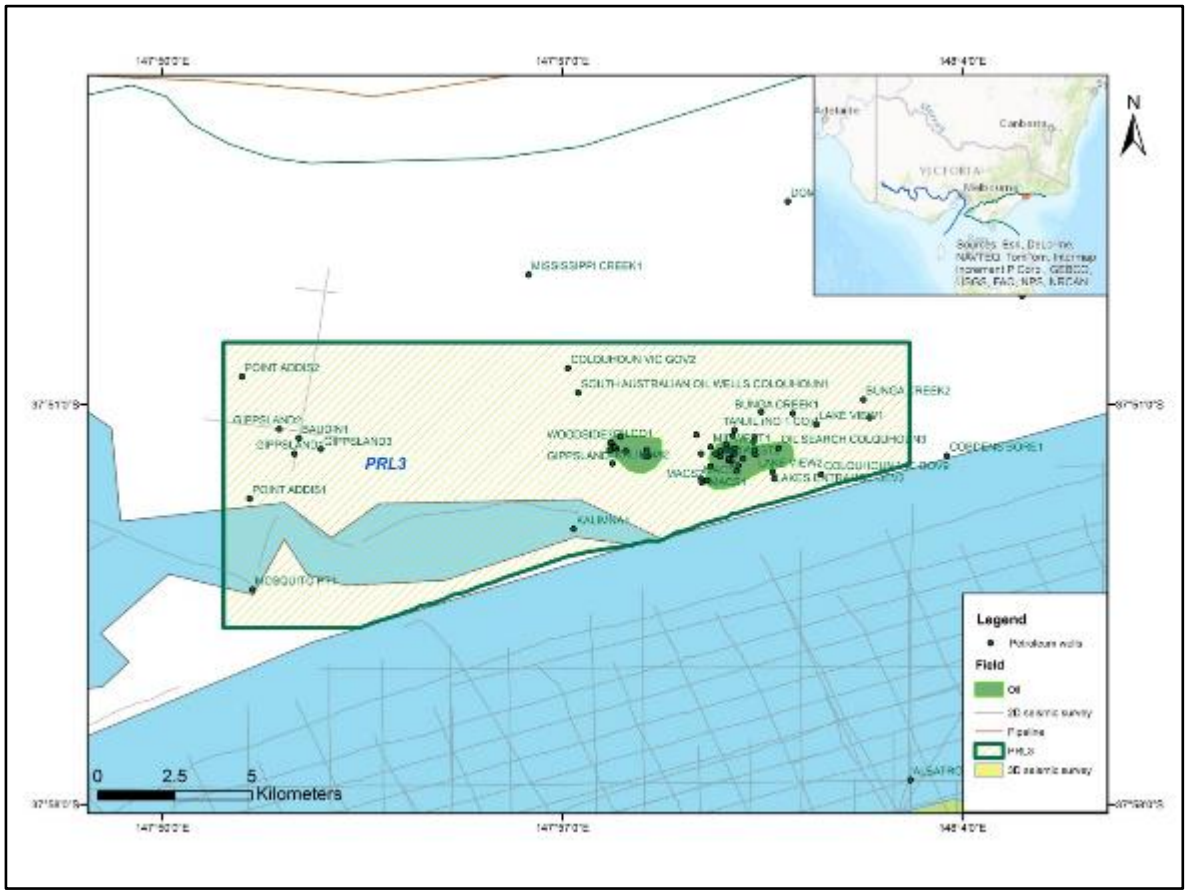


Figure C-18: Location map of retention lease PRL3

VicP43(V)

Exploration permit particulars: The areal coverage is 90.6 km^2. Petro Tech Ply Ltd (i.e. subsidiary of Lakes Oil N.L.) operates the exploration permit that expires on the 20th October 2020.

Historic exploration: No petroleum well has been drilled. The seismic coverage is moderate with 172 km of 2D seismic lines acquired over the permit.

Permit expenditure: A total of A$17,168.2 has been spent.

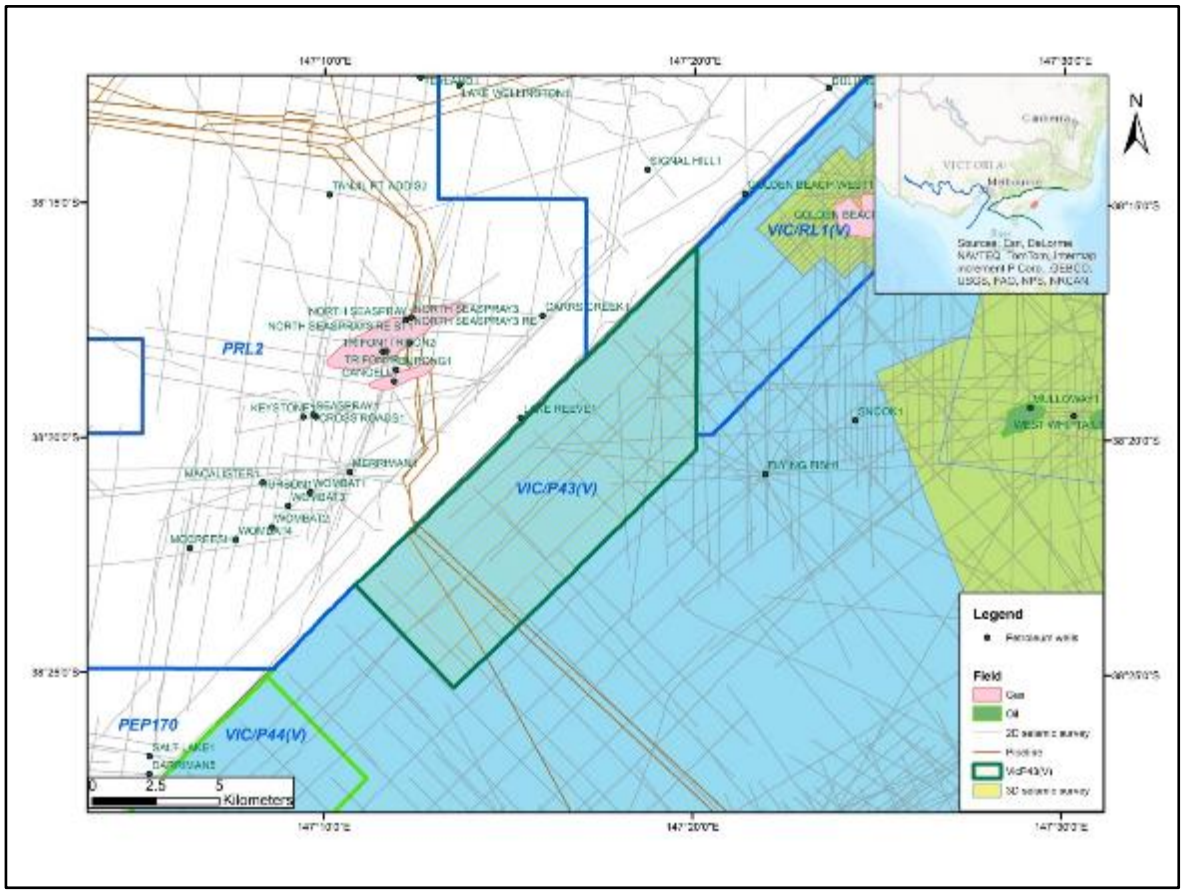


Figure C-19: Location map of exploration permit VicP43(V)

Table C-8: VicP43(V) permit proposed expenditure (a total of $41,275,000)

Permit Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure (A$)
1	13/10/2014	12/10/2015	G&G	200,000
2	13/10/2015	12/10/2016	Reprocess existing seismic	300,000
3	13/10/2016	12/10/2017	Acquire 100km 2D seismic	600,000
4	13/10/2017	12/10/2018	G&G	175,000
5	13/10/2018	12/10/2019	Drill one well to 1500m	20,000,000
6	13/10/2019	12/10/2020	Drill one well to 1500m	20,000,000

VicP44(V)

Exploration permit particulars: The areal coverage is 237.3 km^2. Petro Tech Ply Ltd (i.e. subsidiary of Lakes Oil N.L.) operates the exploration permit that expires on the 12th October 2020.

Historic exploration: Three petroleum wells have been drilled on the permit boundary. The seismic coverage is moderate with 253 km of 2D seismic lines acquired over the permit.

Permit expenditure: A total of A$16,168.2 has been spent.

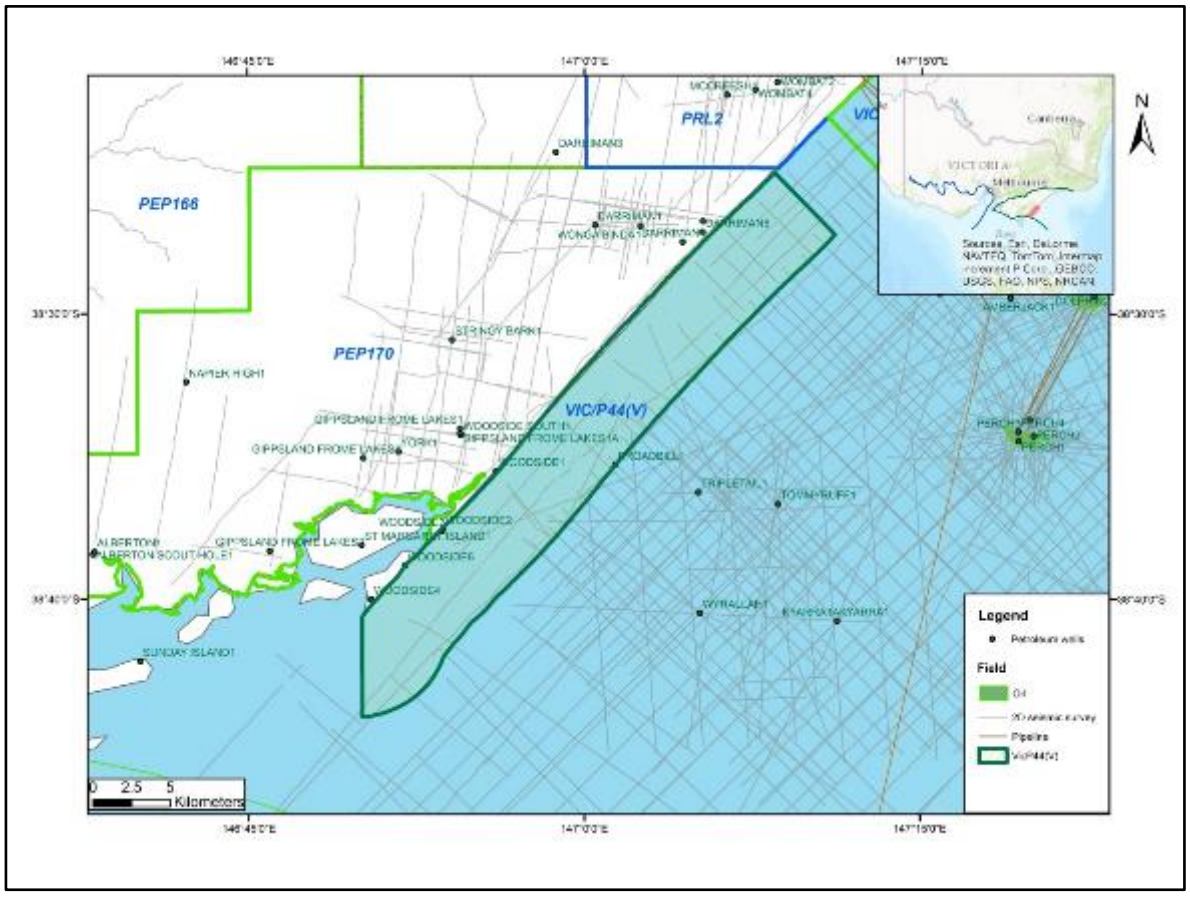


Figure C-20: Location map of exploration permit VicP44(V)

Table C-9: VicP44(V) permit proposed expenditure (a total of $41,675,000)

Permit Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure ($A)
1	13/10/2014	12/10/2015	G&G	200,000
2	13/10/2015	12/10/2016	Reprocess existing seismic	300,000
3	13/10/2016	12/10/2017	Acquire 150km 2D seismic	1,000,000
4	13/10/2017	12/10/2018	G&G	175,000
5	13/10/2018	12/10/2019	Drill one well to 1,500m	20,000,000
6	13/10/2019	12/10/2020	Drill one well to 1,500m	20,000,000

Queensland

ATP642

PEP particulars: The areal coverage is 7,808.1 km^2. The ATP's expiry date is 30th June 2018. Lakes Oil has a 100% interest.

Historic exploration: No petroleum wells have been drilled. Very sparse seismic coverage with only 201 km of 2D seismic lines acquired over the permit.

ATP expenditure: A total of A$653,001.3 have been spent.

Table C-10: ATP642 permit proposed expenditure (a total of A$1,550,000)

Permit Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure (A$)
1	1/07/2014	30/06/2015	G&G studies	$140,000
2	1/07/2015	30/06/2016	Remote Sensing & Geochem	$260,000
3	1/07/2016	30/06/2017	Acquire 50km 2D seismic	$400,000
4	1/07/2017	30/06/2018	Drill 1 Well	$750,000

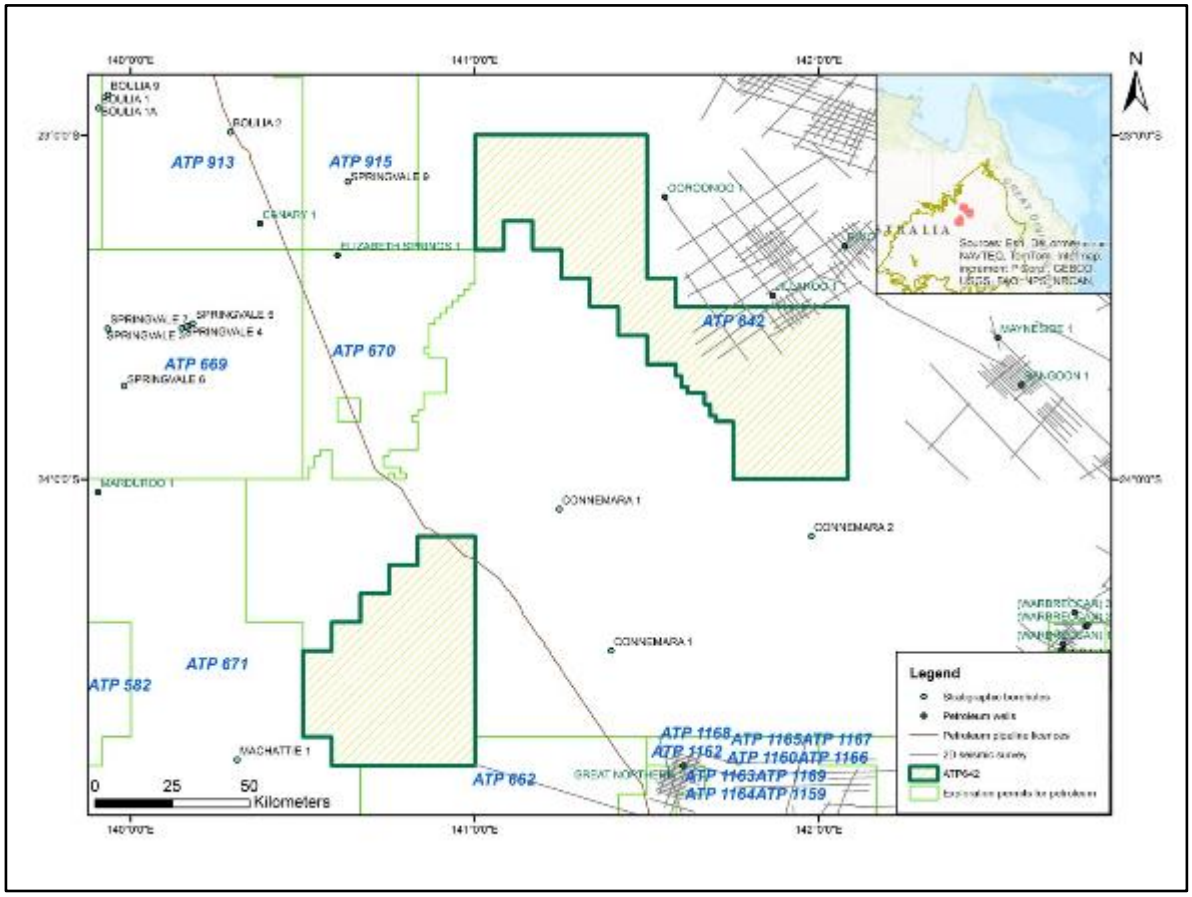


Figure C-21: Location map of ATP642

ATP662

PEP particulars: The areal coverage is 2,486.3 km^2. The ATP's expiry date is 30th June 2018. Lakes Oil has a 100% interest.

Historic exploration: No petroleum wells have been drilled. Very sparse seismic coverage with only 21.3 km of 2D seismic lines acquired over the permit.

ATP expenditure: A total of A$658,486.4 have been spent.

Table C-11: ATP662 permit proposed expenditure (a total of A$1,380,000)

Permit Year	Permit Year Starts	Permit Year Ends	Work Program Details	Expenditure (A$)
1	1/07/2014	30/06/2015	G&G studies	$105,000
2	1/07/2015	30/06/2016	Remote Sensing & Geochem	$175,000
3	1/07/2016	30/06/2017	Acquire 40km 2D seismic or Gravity	$350,000
4	1/07/2017	30/06/2018	Drill 1 Well	$750,000

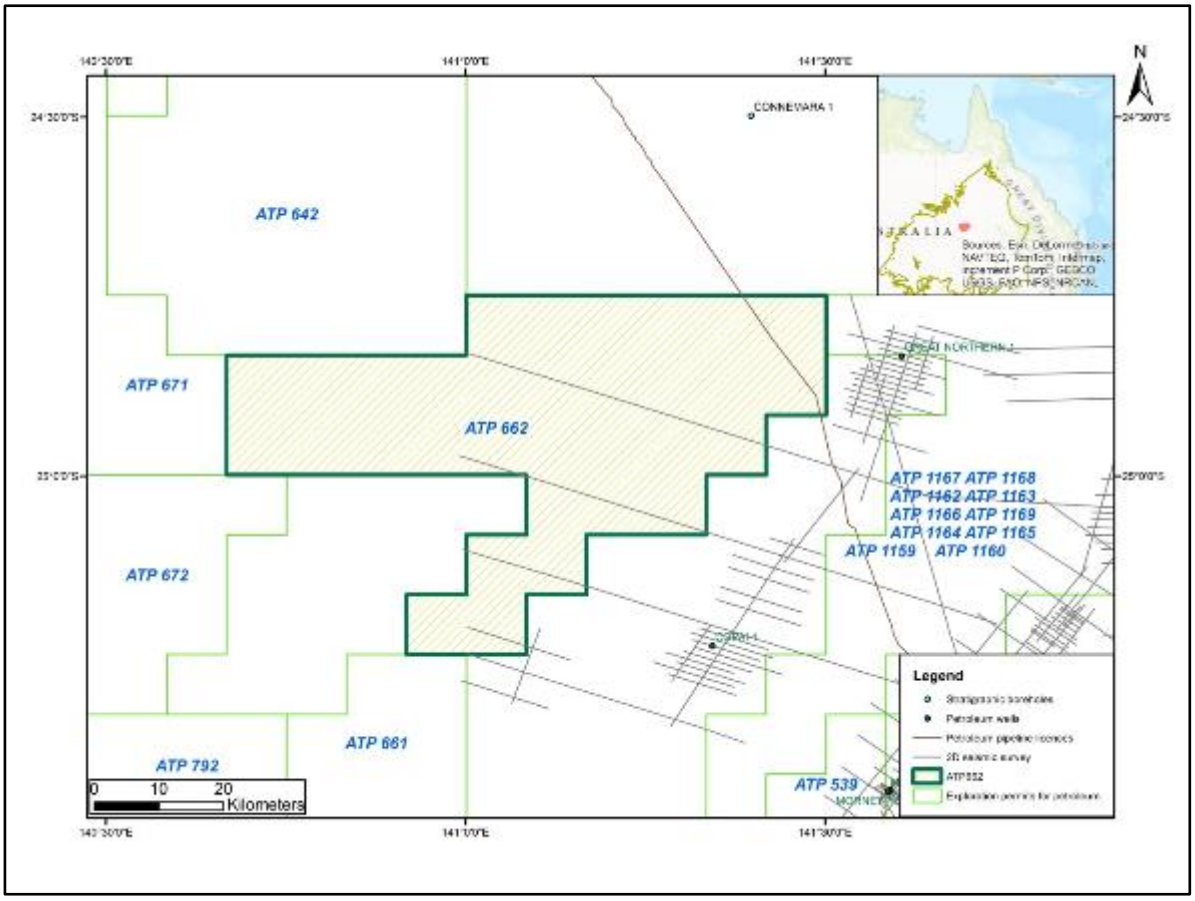


Figure C-22: Location map of ATP662

California USA (Lakes Oil: 17.96% interest. Operator: Strata –X Inc.)

Eagle Prospect - Onshore San Jauquin Basin, California, USA

Permit particulars: The permit expiry is 30th June 2022. Lakes Oil has a 17.96% interest.

Historic exploration: The Eagle Prospect contains the Mary Bellochi-1 well, which was drilled in 1986 by Lakes and its joint venture partners, and flowed oil to surface for several weeks before withering out. Indications at the time were that failure of the well was the result of a mechanical problem, rather than oil ceasing to be present.

Drilling of the Shannon-1 well, to be located close to the Mary Bellochi-1 well location, is proposed. The well will be a near-offset appraisal of the P90 reserves, estimated at 1.2 MMBbl (oil) and 3.8 Bcf (gas). Drilling is planned, but not confirmed, pending rig availability.

Permit expenditure: A total of A$3,861,148 has been spent.

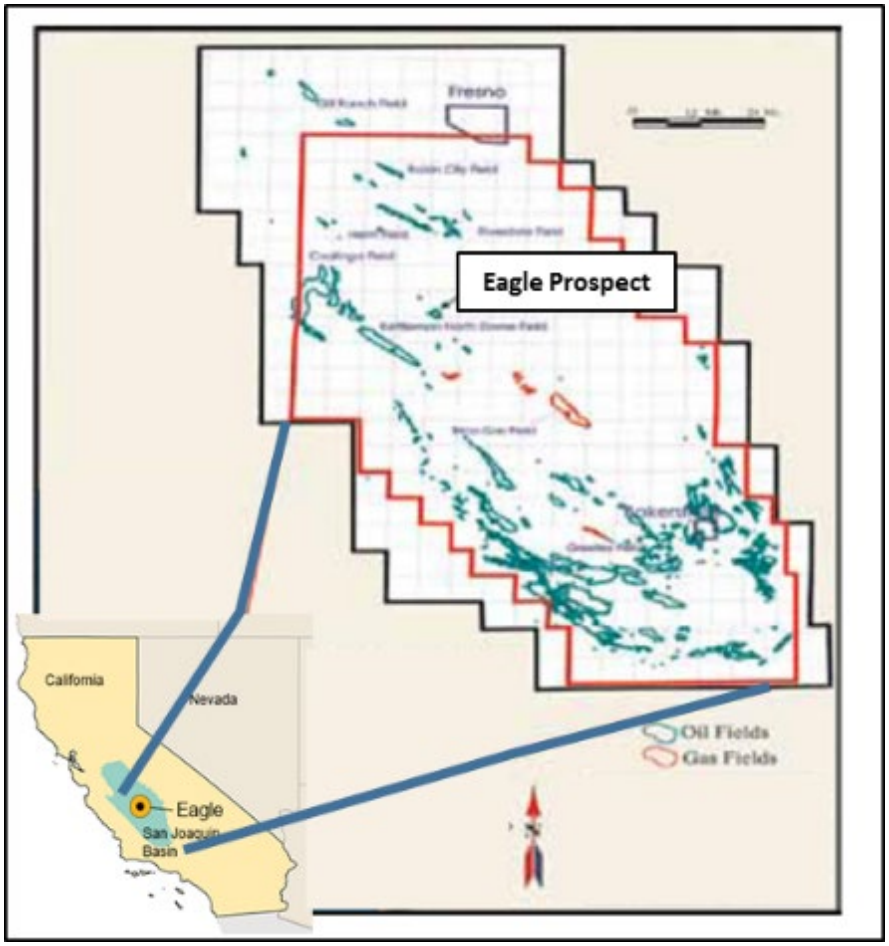


Figure C-23: Eagle Prospect - Onshore San Jauquin Basin, California, USA

SRK Report Client Distribution Record

Project Number: DMR003

Report Title: Lakes Oil NL and NavGas Petroleum Permit Valuations

Date Issued: 8 December 2016

Name/Title	Company
Paul Lom	DMR Corporate

Rev No.	Date	Revised By	Revision Details
0	25/10/2016	Bruce McConachie	DRAFT for client review
1	28/10/2016	Bruce McConachie	Final report to client
2	23/11/2016	Bruce McConachie	Final report reissued to client
3	02/12/2016	Bruce McConachie	Final report reissued to client
4	08/12/2016	Bruce McConachie	Final report reissued to client

LAKES OIL N.L.

(ABN 62 004 247 214)

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote and view the annual report online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:00 am (AEDST) Saturday 14 January 2017

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders 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 form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Lakes Oil NL hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Lakes Oil NL to be held at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne Victoria on Monday 16 January 2017 at 10:00 am (AEDST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1, 5(a), 5(b), 5(c), 5(d), 5(e), 5 (f), 6(a), 6(b), 6(c), 6(d), 6(e), 6(f) & 9 (except where I/we have indicated a different voting intention below) even though Items 1, 5(a), 5(b), 5(c), 5(d), 5(e), 5(f), 6(a), 6(b), 6(c), 6(d), 6(e), 6(f) & 9 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1, 5(a), 5(b), 5(c), 5(d), 5(e), 5(f), 6(a), 6(b), 6(c), 6(d), 6(e), 6(f) & 9 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS	For	Against	Abstain
1 Adoption of Remuneration Report	☐	☐	☐
2 Election of Mr Christopher Tonkin as a Director of the Company	☐	☐	☐
3 Re-election of Prof. Ian Plimer as a Director of the Company	☐	☐	☐
4 Re-election of Mr William Stubbs as a Director of the Company	☐	☐	☐
5(a) Approval to Issue Shares to Directors - Mr Barney Berold (or his nominee)	☐	☐	☐
5(b) Approval to Issue Shares to Directors - Mr Nicholas Mather (or his nominee)	☐	☐	☐
5(c) Approval to Issue Shares to Directors - Mr Kyle Wightman (or his nominee)	☐	☐	☐
5(d) Approval to Issue Shares to Directors - Mr William Stubbs (or his nominee)	☐	☐	☐
5(e) Approval to Issue Shares to Directors - Mr Christopher Tonkin (or his nominee)	☐	☐	☐
5(f) Approval to Issue Shares to Directors - Prof. Ian Plimer (or his nominee)	☐	☐	☐
6(a) Approval of Proposed Issue of Shares to Directors - Mr Nicholas Mather (or his nominee)	☐	☐	☐
6(b) Approval of Proposed Issue of Shares to Directors - Mr Barney Berold (or his nominee)	☐	☐	☐
6(c) Approval of Proposed Issue of Shares to Directors - Mr William Stubbs (or his nominee)	☐	☐	☐
6(d) Approval of Proposed Issue of Shares to Directors - Mr Christopher Tonkin (or his nominee)	☐	☐	☐
6(e) Approval of Proposed Issue of Shares to Directors - Prof. Ian Plimer (or his nominee)	☐	☐	☐
6(f) Approval of Proposed Issue of Shares to Directors - Mr Kyle Wightman (or his nominee)	☐	☐	☐
7 Ratification of Prior Share Issue	☐	☐	☐
8 Ratification of Prior Grant of Options	☐	☐	☐
9 Increase in Aggregate Non-Executive Director Remuneration	☐	☐	☐
10 NavGas Acquisition and Share Issue	☐	☐	☐
11 Repeal and replacement of Constitution	☐	☐	☐
12 Approval of 10% Placement Facility	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

Contact Name _____ **Contact Daytime Telephone** _____ **Date** / /