

Lachlan Star Limited

ACN 000 759 535

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Tuesday, 20 November 2018

11:00am (WST)

Ascent Capital
33 Ord Street
West Perth WA 6005
Australia

The Annual Report is available online at www.lachlanstar.com

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

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 (0)8 9486 4036.

For personal use only

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Lachlan Star Limited will be held at the offices of Ascent Capital, 33 Ord Street, West Perth WA 6005, on Tuesday, 20 November 2018 at 11:00am (WST).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 16 November 2018 at 4:00pm (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum can be found in the Definitions section at page 14.

AGENDA

Annual Report

To receive and consider the Company's Annual Report for the year ended 30 June 2018, which includes the Financial Report, the Directors' Report and the Auditor's Report.

Resolution 1 – Adoption of Remuneration Report

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

“That the Remuneration Report included in the Annual Report for the financial year ended 30 June 2018 be adopted by the Shareholders on the terms and conditions set out in the Explanatory Memorandum.”

The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion

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

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

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

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

Resolution 2 – Re-election of Director – Gary Steinepreis

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

"That Mr Steinepreis, having been appointed by the Directors on 19 January 2018 until this Annual General Meeting, retires in accordance with clause 14.3 of the Constitution and, having offered himself for re-election and being eligible, is hereby re-elected as a Director."

Resolution 3 – Re-election of Director – Bernard Aylward

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

"That Mr Aylward, having been appointed by the Directors on 19 January 2018 until this Annual General Meeting, retires in accordance with clause 14.3 of the Constitution and, having offered himself for re-election and being eligible, is hereby re-elected as a Director."

Resolution 4 – Re-election of Director – Daniel Smith

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

"That Mr Smith, having been appointed by the Directors on 19 January 2018 until this Annual General Meeting, retires in accordance with clause 14.3 of the Constitution and, having offered himself for re-election and being eligible, is hereby re-elected as a Director."

Resolution 5 – Re-election of Director – Klaus Eckhof

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

"That Mr Eckhof, having been appointed by the Directors on 13 August 2018 until this Annual General Meeting, retires in accordance with clause 14.3 of the Constitution and, having offered himself for re-election and being eligible, is hereby re-elected as a Director."

Resolution 6 – Issue of Performance Rights to Klaus Eckhof

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

"That, for the purposes of section 195(4) and 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 80,000,000 Performance Rights to Mr Klaus Eckhof or his nominee, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of by Klaus Eckhof (or his nominee), or any of their associates (Excluded Party). 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, provided the Chair is not a Excluded Party, 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

- (i) a member of the Key Management Personnel; or
(ii) a Closely Related Party of such a member; and
(b) the appointment does not specify the way the proxy is to vote on this Resolution.
Provided the Chair is not an Excluded Party, the above prohibition does not apply if:
(a) the proxy is the Chair; and
(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolution 7 – Approval of 10% Placement Facility

To consider and if thought fit, to pass with or without amendment, the following 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 issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated 18 October 2018

BY ORDER OF THE BOARD



Gary Steinepreis

Non-executive Chairman

EXPLANATORY MEMORANDUM

1 Introduction

This Explanatory Memorandum has been prepared for the information of members of Lachlan Star Limited (“Lachlan”) in connection with the business to be conducted at the Annual General Meeting to be held on Tuesday, 20 November 2018 commencing at 11:00am at the offices of Ascent Capital, 33 Ord Street, West Perth WA 6005.

This Explanatory Memorandum forms part of and should be read in conjunction with the accompanying Notice of Annual General Meeting.

Shareholders should note that all the Directors approved the proposal to put the resolutions to Shareholders as outlined in the Notice of Annual General Meeting and to prepare this Explanatory Memorandum.

The purpose of this Explanatory Memorandum is to provide information for Shareholders in deciding whether or not to pass the Resolutions in the Notice of Annual General Meeting.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a **proxy**) to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 Corporate representatives

Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate'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.

An appointment of corporate representative form is available from the website of the Company's share registry (www.securitytransfer.com.au).

3. Annual Report

In accordance with the requirements of the Company's Constitution and the Corporations Act, the 2018 Annual Report will be tabled at the Annual General Meeting. There is no requirement for Shareholders to approve the Annual Report, however Shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report.

The Annual Report is available online at www.lachlanstar.com

Representatives from the Company's auditors, Price Waterhouse Coopers, will be present to take Shareholders' questions and comments about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report; and
- (b) the conduct of the audit;
- (c) accounting policies by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 Business Days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 – Adoption of Remuneration Report

The Annual Report for the financial year ended 30 June 2018 contains a Remuneration Report, which forms part of the Directors' Report and sets out the remuneration policy for the Company and its controlled entities, and reports the remuneration arrangements in place for executive directors, senior management and non-executive directors.

The Corporations Act requires listed companies to put an annual non-binding resolution to shareholders to adopt the Remuneration Report. In line with the legislation, this vote will be advisory only, and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy.

Under the Corporations Act, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2018 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of Directors of the Company ("Spill Resolution").

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting ("Spill Meeting") within 90 days of the Company's 2018 annual

general meeting. All the Directors who were in office when the Company's 2018 Director's report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

At the Company's previous annual general meeting the votes cast against the remuneration report were less than 25%. Accordingly, the resolution for the re-election of the Board is not relevant for this Meeting.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

5. Resolution 2 – Re-election of Director – Gary Steinepreis

In accordance with the requirements of the Company's Constitution and the Corporations Act, one-third of the Directors of the Company retire from office at this Annual General Meeting, and, being eligible, may offer themselves for re-election. Mr Steinepreis retires by rotation and offers himself for re-election.

Details of Mr Steinepreis's background and experience are set out in the Annual Report.

The Directors (excluding Mr Steinepreis) recommend that Shareholders vote in favour of Resolution 2. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 2.

6. Resolution 3 – Re-election of Director – Bernard Aylward

Mr Aylward was appointed to the Board during the year in accordance with clause 14.3 of the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Aylward automatically retires at this Annual General Meeting in accordance with clause 11.10 of the Constitution, and being eligible, seeks re-election at the Meeting.

Details of Mr Aylward's background and experience are set out in the Annual Report.

The Directors (excluding Mr Aylward) recommend that Shareholders vote in favour of Resolution 3. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 3.

7. Resolution 4 – Re-election of Director – Daniel Smith

Mr Smith was appointed to the Board during the year in accordance with clause 14.3 of the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Smith automatically retires at this Annual General Meeting in accordance with clause 14.3 of the Constitution, and being eligible, seeks re-election at the Meeting.

Details of Mr Smith's background and experience are set out in the Annual Report.

The Directors (excluding Mr Smith) recommend that Shareholders vote in favour of Resolution 4. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 4.

8. Resolution 5 – Re-election of Director – Klaus Eckhof

Mr Eckhof was appointed to the Board during the year in accordance with clause 14.3 of the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Eckhof automatically retires at this Annual General Meeting in accordance with clause 11.10 of the Constitution, and being eligible, seeks re-election at the Meeting.

Details of Mr Eckhof's background and experience are set out in the Annual Report.

The Directors (excluding Mr Eckhof) recommend that Shareholders vote in favour of Resolution 5. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 5.

9. Resolution 6 - Issue of Performance Rights to Klaus Eckhof

Background

To achieve its corporate objectives, the Company needs to attract and retain key executives and management in a competitive environment.

The Company has decided to adopt a mixture of short term incentives (**STI**) and long term incentives (**LTI**). The use of an STI and LTI component is consistent with the Company's objectives for remuneration, which includes providing competitive remuneration packages to attract and retain high calibre senior executives, having a meaningful portion of remuneration "at risk", and importantly, a focus on growing shareholder value.

The grant of Performance Rights encourages Key Executives to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. Under the Company's current circumstances the Directors consider that the incentives intended for Mr Klaus Eckhof represented by the grant of these Performance Rights are a cost effective and efficient means for the Company to provide a reward and add incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation. Refer Schedule 1 for the terms and conditions of the Performance Rights subject of this resolution.

1. Overview of grant of Performance Rights

It is proposed that Mr Eckhof be granted the following maximum number Performance Rights with varying terms, within 1 month after the Meeting:

- (a) 20,000,000 Performance Rights (**Tranche 1 Performance Rights**);
- (b) 20,000,000 Performance Rights (**Tranche 2 Performance Rights**);
- (c) 20,000,000 Performance Rights (**Tranche 3 Performance Rights**); and
- (d) 20,000,000 Performance Rights (**Tranche 4 Performance Rights**).

2. Performance Conditions

Subject to any exchange imposed escrow, the Performance Rights will vest and convert to ordinary shares in the event of the following:

- (a) Tranche 1 Performance Rights: 20,000,000 performance rights vesting upon the Company achieving a 20 day VWAP of 2.5c per share;
- (b) Tranche 2 Performance Rights: 20,000,000 performance rights vesting upon the Company achieving a 20 day VWAP of 4c per share;
- (c) Tranche 3 Performance Rights: 20,000,000 performance rights vesting upon the Company achieving a 20 day VWAP of 5c per share; and
- (d) Tranche 4 Performance Rights: 20,000,000 performance rights vesting upon the Company achieving a 20 day VWAP of 6.5c per share.

Notwithstanding the Performance Conditions above, all the Performance Rights will vest automatically if there is a trade sale of all or any part of the business or assets of the Company or if the Company merges with another company or is the subject of a takeover of 50.1% or more.

Subject to achievement of the Performance Conditions one share will be issued for each Performance Right that has vested on the same terms and conditions as the Company's issued shares and will rank equally with all other issued shares from the issue date.

3. Related Party Transactions

The issue of performance rights to a Director constitutes a grant of a financial benefit to a related party for the purposes of Chapter 2E of the Corporations Act.

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party unless either:

- (a) prior shareholder approval is obtained and the benefit is given within 15 months after obtaining such approval; or
- (b) the giving of the financial benefit falls within one of the nominated exceptions to the provision.

For the purposes of section 219 of the *Corporations Act*, the following information is provided in relation to the issue of these Performance Rights to Mr Klaus Eckhof, a related party of the Company.

4. **Nature of the financial benefits**

The financial benefit to be provided to the Director, Mr Eckhof, is the Performance Rights referred to above.

Mr Eckhof is not required to make any payment for the grant of the Performance Rights or on the automatic exercise of a vested Performance Right. The maximum number of Performance Rights that could vest, and hence be automatically exercised under Resolutions 6 is a maximum of 80,000,000 Performance Rights.

5. **Valuation of the financial benefits**

According to AASB 2 paragraph 19, "Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods and services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest."

6. **Market based vesting conditions**

The Performance Rights will vest into ordinary shares in Lachlan Star upon the satisfaction of 8.2 above and are predominantly market based vesting conditions. It is noted that if the employee leaves employment for any reason, the Performance Rights will lapse, unless the Board determines otherwise depending on the circumstances of the termination.

7. **Methodology Adopted**

The initial undiscounted value of the Performance Rights is the value of an underlying share in Lachlan Star as traded on ASX at the date of grant of the Performance Rights. For the purpose of this valuation based on date of the grant being 4 September 2018, the Company commissioned an independent valuation from BDO which used 1.4 cents being the latest price of one Lachlan Star share as traded on ASX on 4 September 2018.

All of the Performance Rights have a market based vesting condition, in that they cannot vest until a market related condition has been met, being that the Lachlan Star share price has reached a predetermined level for 20 continuous days as noted above. In terms of the A-IFRS Accounting Standard on Share Based payments, where there are market conditions, the fair value of the Performance Rights, a discount is applied to take into account the probability of the Performance Rights not vesting so that ordinary shares may be issued. On the assumption that there was a 100% probability that the vesting condition would be achieved, then no discount would be applied to 4 September 2018 value of a Lachlan Star share trading on ASX. On the assumption that there was a 0% probability that vesting conditions (market based condition only) would be achieved, then a 100% discount would be applied to the 4 September 2018 share price of a Lachlan Star share as traded on ASX.

BDO have valued the Rights using a Monte Carlo simulation, which takes into consideration that the Rights will vest when the VWAP exceeds the determined barrier. The value of each class of Performance Right is set out in 9.8, below.

8. Conclusion

Set out below is BDO's conclusions as to the value of the Performance Rights:

Item	Resolution 6			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Number of Rights	20,000,000	20,000,000	20,000,000	20,000,000
Exercise price	Nil	Nil	Nil	Nil
Valuation date	4/09//2018	4/09//2018	4/09//2018	4/09//2018
Underlying security price	\$0.014	\$0.014	\$0.014	\$0.014
Performance period (years)	3	3	3	3
Expiry date	4/09/2021	4/09/2021	4/09/2021	4/09/2021
Vesting conditions	Note 1	Note 2	Note 3	Note 4
Volatility	85%	85%	85%	85%
Valuation per Right	\$0.0089	\$0.0072	\$0.0064	\$0.0050
Valuation per Tranche	\$178,000	\$144,000	\$128,000	\$100,000

Note: 1. Rights will vest upon the Company achieving a 20 day VWAP of 2.5 cents per share.
 2. Rights will vest upon the Company achieving a 20 day VWAP of 4 cents per share.
 3. Rights will vest upon the Company achieving a 20 day VWAP of 5 cents per share.
 4. Rights will vest upon the Company achieving a 20 day VWAP of 6.5 cents per share.

The relevant interests of Mr Eckhof in securities of the Company as at the date of this Notice are set out below:

Related Party	Shares	Performance Rights
Mr Klaus Eckhof	20,000,000	80,000,000 ¹

¹ These Performance Rights are subject of Resolution 6.

The amounts paid from the Company to Mr Eckhof and his associates for the previous three financial years are set out below:

Related Party	30 June 2019 (current)	30 June 2018	30 June 2017
Mr Klaus Eckhof	\$90,000p.a.	Nil	Nil

9. Directors' interests in the outcome of the Resolution

If Resolution 6 is passed, the Key Executive will become entitled to accept an offer of Performance Rights as set out above together with the rights and entitlements associated with being a holder of such Performance Rights.

None of the other Directors (apart from Mr Eckhof) have a relevant interest in the outcome of Resolution 6.

If all of the Performance Rights as proposed above vest and are exercised and the Company issues new shares to the Key Executive upon exercise, the effect will be to dilute the shareholding of existing Shareholders up to a maximum of 10.6%. In practice, the Performance Rights can only vest following achievement of the performance conditions set out in 8.2 above.

10. Directors' Recommendations

Messrs Steinepreis, Aylward and Smith (who have no interest in the outcome of Resolution 6) recommend that Shareholders vote in favour of Resolution 6 as they believe the granting of these Performance Rights to Mr Eckhof will align his rewards with the long-term creation of value for shareholders.

Mr Eckhof declines to make a recommendation about Resolution 6 as he has a material personal interest in the outcome of that particular Resolution as it relates to the grant of Performance Rights to him.

10. Resolution 7 – Approval of 10% Placement Facility

10.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements in the 12 month period after an 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.

Resolution 7 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).

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 (refer to Section 10.2(c) below).

The Company may use the 10% Placement Facility to fund ongoing development.

The Directors of the Company believe Resolution 7 is in the best interest of the Company and its Shareholders and unanimously recommend that the Shareholders vote in favour of this Resolution.

10.2 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.

(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 one class of quoted Equity Securities, being fully paid ordinary shares (ASX: LSA).

(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 annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

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

A is 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 Rule 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 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 7.4**

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 753,865,663 Shares and therefore has a capacity to issue:

- (i) 113,079,849 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 7, 75,386,566 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 volume weighted average price (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 or 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).

10.3 Listing Rule 7.1A

The effect of Resolution 7 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 7 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).

10.4 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 7 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 (in the case of listed Options, only if the listed Options are exercised). There is a risk that:
 - (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 of the date of the 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 issued for non-cash 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 shows:

- (iii) 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
- (iv) two examples of where the issue price of ordinary securities has decreased by 50% (rounded up) and increased by 100% as against the current market price.

Dilution example

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.005 50% decrease in Issue Price	\$0.010 Current Issue Price	\$0.020 100% increase in Issue Price
753,865,663 (Current)	10% voting dilution	75,386,566 Shares	75,386,566 Shares	75,386,566 Shares
	Funds raised	\$376,932.83	\$753,865.66	\$1,507,731.32
1,130,798,495 (50% increase)	10% voting dilution	113,079,849 Shares	113,079,849 Shares	113,079,849 Shares
	Funds raised	\$565,399.25	\$1,130,798.49	\$2,261,596.98
1,507,731,326 (100% increase)	10% voting dilution	150,773,132 Shares	150,773,132 Shares	150,773,132 Shares
	Funds raised	\$753,865.66	\$1,507,731.32	\$3,015,462.64

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No listing Options (including any listed Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities;

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- (iii) 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 at 10%.
 - (iv) 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 the Shareholder's holding at the date of the Meeting.
 - (v) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes listed Options, it is assumed that those listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (vii) The issue price is \$0.01, being the closing price of the Shares on ASX on 8 October 2018.
- (c) The Company will only issue the Equity Securities during the 10% Placement Period. The approval under Resolution 7 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 a significant change to the nature or scale of activities) or 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 resources 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), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under the 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 the Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (iii) 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;
- (iv) the effect of the issue of the Equity Securities on the control of the Company;
- (v) the financial situation and solvency of the Company; and
- (vi) 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 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.

- (e) The Company has previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its 2017 AGM. However, the Company has not issued any Equity Securities pursuant to that Listing Rule 7.1A approval.

- (f) During the 12 month period preceding 16 November 2018, being the date of the Meeting, the Company issued a total of 825,786,520 Equity Securities (consisting of 720,786,520 Shares and 105,000,000 unlisted options), representing approximately 2,500% of the total number of Equity Securities on issue at the commencement of that 12 month period.
- (g) Information relating to issues of Equity Securities by the Company in the 12 months prior to 20 November 2018 is as follows:

Date of Appendix 3B	Number of Equity Securities	Class of Equity Securities and summary of terms	Names of recipients or basis on which recipients determined	Issue price of Equity Securities and discount to the closing market price on the trading day prior to the issue	If issued for cash – the total consideration, what it was spent on and the intended use of any remaining funds If issued for non-cash consideration – a description of the consideration and the current value of the consideration
16 March 2018	<ol style="list-style-type: none"> 1. 330,786,520 2. 20,000,000 3. 70,000,000 4. 300,000,000 5. 105,000,000 	<ol style="list-style-type: none"> Note 1 Note 1 Note 1 Note 1 Note 2 	<ol style="list-style-type: none"> 1. Rights entitlement 2. Creditors shares 3. Proponent shares (Ascent Capital Pty Ltd) 4. Sophisticated investors introduced by DJ Carmichael Pty Ltd 5. Directors 	Shares - \$0.005 per share. Options – nil.	<ol style="list-style-type: none"> 1. \$1,653,932: The funds were raised by way of an entitlement issue prospectus lodged with ASX 16 March 2018. Use of funds includes: Payment to the Creditors Trust, recapitalisation costs, capital raising expenses and project development. Remaining funds to be applied towards stated objectives in the Company's prospectus. 2. Non cash: \$200,000 3. Non cash: \$700,000 4. \$1,500,000: The funds were raised by way of an entitlement issue prospectus lodged with ASX 16 March 2018. 5. Non cash: \$794,708

Notes:

1. Fully paid ordinary shares in the capital of the Company, ASX Code: LSA (terms are set out in the Constitution).
2. Unlisted options exercisable at \$0.005 each on or before 31/12/2021
3. The share price as at 8 October 2018 (\$0.01) is used for the purpose of determining non-cash consideration.

The Company's cash balance on 16 November 2017 was approximately nil. Cash raised from issues in the previous twelve months totals ~\$3.3 million. The Company's cash balance as at 8 October 2018 was \$1.8 million.

A voting exclusion statement is included in the Notice. At the date of the 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.

Definitions

In this Notice and the Explanatory Memorandum:

10% Placement Facility has the meaning given in Section 10.

\$ means Australian Dollars.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ending 30 June 2018.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Auditor's Report means the auditor's report on the Financial Report.

BDO means BDO Corporate Finance (WA) Pty Ltd.

Board means the board of Directors.

Business Day has the meaning contained in the Listing Rules.

Chair or **Chairman** means the person appointed to chair the Meeting conveyed by this Notice.

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

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

Company means Lachlan Star Limited.

Constitution means the constitution of the Company as at the commencement of the Meeting.

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 meaning given in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

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

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those 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 ASX.

Meeting or Annual General Meeting means the meeting convened by this Notice (as adjourned from time to time).

Notice or Notice of Annual General Meeting means this notice of annual general meeting.

Option means an option to acquire a Share

Proxy Form means the proxy form attached to the Notice.

Related Party has the meaning given in the Listing Rules.7.2

Remuneration Report means the remuneration report set out in the Director's Report section of the Company's annual financial report for the year ended 30 June 2018.

Resolution means a resolution contained in the Notice.

Section means a section contained in this Explanatory Memorandum.

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

Shareholder means a shareholder of the Company.

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

WST means Western Standard Time, being the time in Perth, Western Australia.

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.

SCHEDULE 1 – Terms and conditions of Performance Rights

The key terms and conditions of the Performance Rights are set out below:

1. No payment on issue or vesting

No payment is required for the issue or on the vesting (or the issue of shares following vesting) of a Performance Right.

2. Vesting of Performance Rights

Performance Rights will vest on the Vesting Date set out in the table below, subject to satisfaction of the performance hurdles. If the terms of issue require the Performance Rights to vest, the performance hurdles must be met in order for vesting to occur.

The performance hurdles attaching to the tranches of Performance Rights, along with the applicable Performance Hurdle Satisfaction Date and Vesting Date, are set out in the table below:

Tranche	Vesting Condition	Vesting Condition Satisfaction Date
A	20-day volume weighted average share price (VWAP) on the ASX is \$0.025 or higher	3 years
B	20-day volume weighted average share price (VWAP) on the ASX is \$0.04 or higher	3 years
C	20-day volume weighted average share price (VWAP) on the ASX is \$0.05 or higher	3 years
D	20-day volume weighted average share price (VWAP) on the ASX is \$0.065 or higher	3 years

The performance rights will lapse if the recipient ceases to be involved with the Company prior to the achievement of the relevant Vesting Condition.

3. Vesting Condition Satisfaction Date

If the vesting condition in respect of any Performance Rights has not been satisfied by the relevant Vesting Condition Satisfaction Date, those Performance Rights will lapse.

4. Exercise Period

Subject to item 2 and 3, a Performance Right may only vest at any time after the Vesting Condition has been met, and prior to the Vesting Condition Satisfaction Date.

5. Entitlements under Performance Rights

The Performance Rights do not entitle the holder to exercise any votes in respect of the shares to which the Performance Rights relate, nor is the holder entitled to participate in any dividend or any new issue of securities by the Company in respect of that Performance Right.

6. Issue of shares on vesting of Performance Rights

All shares to be issued on vesting of the Performance Rights will rank equally with those traded on the ASX at the time of issue.

7. Reconstruction of capital

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

8. Participation in New Issues

There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Related Party Performance Rights/ Performance Rights unless vested.

9. No transfer of Performance Rights

The Performance Rights may not be transferred.

10. Cessation of eligibility

Where a participant ceases to be eligible to participate, the Board may determine that some or all of the participant's Award lapses, vests, is exercisable for a prescribed period (if applicable), or is no longer subject to some or all applicable restrictions.

11. Change of control

On a change of control event (which includes a takeover, merger, any person acquiring a relevant interest in more than 50% of the issued share capital in the Company and other similar events), the Board may, in its discretion, determine the manner in which any or all of a participant's securities will be dealt with.

12. Capital reorganisation

In the event of any capital reorganisation, Performance Rights may be adjusted having regard to the ASX Listing Rules.

13. Notice of Exercise

The Performance Rights may be exercised by notice in writing to the Company (Notice of Exercise). Any Notice of Vesting of a Performance Right received by the Company will be deemed to be a notice of vesting of that Performance Right as at the date of receipt.

14. Deferred Taxation

Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to the Performance Rights.

PROXY FORM

The Secretary
Lachlan Star Limited

By delivery:
Level 8, 99 St Georges Tce
Perth WA 6000

By post:
PO Box 5638, St Georges Tce, Perth,
WA 6831

By facsimile:
+61 8 9486 4799

Name of Shareholder 1:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Step 1 – Appoint a Proxy to Vote on Your Behalf

The Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy ²

or failing the person/body corporate named, or if no person/body is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including 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 Meeting of the Company to be held at the offices of Ascent Capital, 33 Ord Street, West Perth WA 6005 on Tuesday, 20 November at 11.00am WST.

Important – If the Chairman of the Meeting is your proxy or is appointed your proxy by default

Where you have appointed the Chairman of the Meeting as your proxy (or the Chairman becomes your proxy by default), you expressly authorise the Chairman to exercise your proxy on Resolution 1 (to adopt the Remuneration Report) (except where you have indicated a different voting intention above) even though Resolution 1 (to adopt the Remuneration Report) is connected directly with the remuneration of a member of key management personnel for the Company.

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Step 2 – Instruction as to Voting on Resolutions

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Gary Steinepreis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of Bernard Aylward	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Re-election of Daniel Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Re-election of Klaus Eckhof	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Issue of Performance Rights to Klaus Eckhof	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all undirected proxies in favour of each Resolution.

Authorised signature/s

This section must be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	<div style="border: 1px solid black; height: 40px; width: 100%;"></div>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary
<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>
Contact Name	Contact Daytime Telephone	Date

¹Insert name and address of Shareholder ²Insert name and address of proxy

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder’s proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder’s votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder’s proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate or Appointment of Representative prior admission. A form of the certificate may be obtained from the Company’s share registry.

You must sign this form as follows in the spaces provided:

- Joint Holding: where the holding is in more than one name all of the holders must sign.
- Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy, of the Power of Attorney to this Proxy Form when you return it.
- Companies: a Director can sign jointly with another Director or Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicated the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate “Certificate of Appointment of Representative” should be produced prior to admission. A form of the certificate may be obtained from the Company’s Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received at the Perth office of the Company at PO Box 5638, St Georges Tce, Perth WA 6831 or Facsimile +61 8 9486 4799 not less than 48 hours prior to the time of commencement of the Meeting.