

LACHLAN STAR LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 000 759 535

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of ten (10) fully paid ordinary Shares in the capital of the Company for every one (1) Share held by those Shareholders registered at the Record Date at an issue price of \$0.005 per Share to raise up to approximately \$1,653,933 (**Entitlement Offer**).

Other Offers:

This Prospectus also contains the additional offers of Securities described in Section 6.2. The Offers are conditional on the events described in Section 3.7.

This Prospectus is a prospectus to satisfy ASX requirements for re-listing following the wholly effectuation of a Deed of Company Arrangement (**DOCA**). The Offers under this Prospectus are subject to and conditional upon:

- Shareholder approval of the Recapitalisation Resolutions at the Company's forthcoming 2017 AGM, to be held on 19 March 2018 (**2017 AGM**);
- the Minimum Subscription being achieved under the Entitlement Offer;
- the DOCA being wholly effectuated; and
- the Company having satisfied the ASX Reinstatement Conditions and its Securities being reinstated to Official Quotation on ASX.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay. The Securities offered by this Prospectus should be considered highly speculative.

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1. CORPORATE DIRECTORY

Directors

Gary Steinepreis
Non-Executive Chairman

Bernard Aylward
Non-Executive Director

Daniel Smith
Non-Executive Director

Registered Office

c/o KPMG
235 St Georges Terrace
Perth WA 6000

Telephone: +61 8 9263 7171
Facsimile: +61 3 8 9263 7129
Website: www.lachlanstar.com.au

Company Secretary

Robert Anderson

ASX Code

LSA (currently suspended)

Deed Administrators*

Matthew Woods and
Hayden White
KPMG
235 St Georges Terrace
Perth WA 6000 Australia

Share Registry*

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000

Telephone: +61 8 9323 2000
Website: www.computershare.com

Auditor*

PricewaterhouseCoopers
Brookfield Place
125 St Georges Terrace
Perth WA 6000

Lawyers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

*These entities have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

2. KEY OFFER INFORMATION

2.1 Key Dates – Indicative Timetable

Event	Date ¹
Lodgement of Prospectus and Appendix 3B with ASIC / ASX	16 March 2018
Annual General Meeting of Shareholders	19 March 2018
Last day for pre-Consolidation trading	20 March 2018
Post-Consolidation trading starts on a deferred settlement basis ²	21 March 2018
Last day for Company to register transfers on a pre-Consolidation basis	22 March 2018
First day for the Company to send notice to each security holder of the change in their details of holdings	23 March 2018
First day for the Company to register securities on a post-Consolidation basis	
First day for issue of new holding statements	
Issue date – deferred settlement market ends ²	29 March 2018
Last day for the Company to send notice to each security holder of the change in their details of holdings	
Last day for Securities to be entered into holders' Security holdings	
Commencement of trading of Shares on ASX	3 April 2018
Entitlement issue timetable commences	5 April 2018
Notice sent to Shareholders	6 April 2018
Ex date	9 April 2018
Record Date for determining entitlements	10 April 2018
Prospectus sent out to Shareholders & Company announces this has been completed	13 April 2018
Last day to extend the Entitlement Offer	19 April 2018
Closing Date for all Offers	24 April 2018
Shares quoted on a deferred settlement basis	26 April 2018
ASX notified of under subscriptions	30 April 2018
Issue date Shares entered into Shareholders' security holdings under Entitlement Offer Issue of Creditors' Trust Shares Issue of Proponent Securities Issue of Placement Shares Issue of Director Options	3 May 2018
Issue of holding statements	3 May 2018
Quotation of Shares issued under the Offers ²	4 May 2018

Notes

1. The above dates are indicative only and may change without notice, subject to the ASX Listing Rules. The Company may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Securities are expected to commence trading on ASX may

vary. The Company also reserves the right not to proceed with the Offers at any time before the issue of Securities to Applicants.

- As the Company's securities are suspended from trading, many of the events set out above (for example, deferred settlement trading) will not be applicable. The Options to be issued to the Proponent under the Proponent Offer and to Directors under the Director Offer will not be quoted.

2.2 Key Statistics of the Offers

	Full Subscription	
	Shares	Unquoted Options
Shares currently on issue	165,393,259	Nil
Shares on issue post-Consolidation <i>To be consolidated into one (1) Share for every five (5) on issue</i>	33,078,652	Nil
Entitlement Offer¹ <i>10 Shares to be issued for every one (1) Share held by those Shareholders registered at the Record Date at an issue price of \$0.005 per Share to raise up to \$1,653,933</i>	330,786,520	Nil
Creditors' Trust Offer¹	20,000,000	Nil
Proponent Offer^{1, 2} <i>The Proponent Shares will be issued at \$0.0025 per Share and the Proponent Options will be issued at \$0.005 per Option to raise \$175,000</i>	70,000,000	100,000,000
Director Offer^{1, 3}	Nil ⁴	5,000,000
Placement¹ <i>To be issued at \$0.005 per Share to raise up to \$1,500,000</i>	300,000,000	Nil
Total Securities on issue following completion of Offers⁴	753,865,172	105,000,000
Gross proceeds of the Offers⁵		\$3,328,933

Notes

- To be issued on a post-Consolidation basis.
- Gary Steinepreis, a Director, has a director and shareholding interest in the Proponent. Shareholder approval is also being sought at the 2017 AGM for Mr Steinepreis to participate in the Shortfall Offer and/or Placement for up to 50,000,000 Shares. For further information relating to the interests of Directors, please refer to Section 11.2.
- The Director Offer is being made to Directors, Bernard Aylward and Daniel Smith, and is subject to shareholder approval at the 2017 AGM. At the 2017 AGM Shareholder approval will also be sought for these Directors to participate in the Shortfall Offer and/or Placement for up to 20,000,000 Shares. For further information relating to the interests of Directors, please refer to Section 11.2.
- Further information about the Company's capital structure upon completion of the Offers is set out in Section 7.5.
- Comprising \$1,653,933 raised under the Entitlement Offer, \$175,000 under the Proponent Offer and \$1,500,000 to be raised under the Placement.

3. IMPORTANT NOTES

3.1 General

This Prospectus is dated 16 March 2018 and was lodged with the ASIC on that date. The ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe any of, these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not and is not intended to constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or issue this Prospectus. No action has been taken to register or qualify the Securities or the Offers or to otherwise permit a public offering of the Securities in any jurisdiction outside Australia.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

3.2 Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Securities under this Prospectus.

3.3 Risk factors

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Securities. There are risks associated with an investment in the Company. The Securities offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Securities. Refer to Section 5E of the Investment Overview in Section 5 and Section 10 of this Prospectus for details relating to some of the key risk factors that should be considered by prospective investors. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

3.4 Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.lachlanstar.com.au. If you are accessing the electronic version of this

Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, free of charge, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.lachlanstar.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

3.5 Website

No document or information included on our website is incorporated by reference into this Prospectus.

3.6 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 10 of this Prospectus.

3.7 Conditional Offers

The Offers are subject to and conditional upon:

- (a) Shareholder approval of the Recapitalisation Resolutions being obtained at the 2017 AGM;
- (b) the Minimum Subscription being achieved under the Entitlement Offer;
- (c) the DOCA being wholly effectuated; and
- (d) the Company having satisfied the ASX Reinstatement Conditions and its Securities being reinstated to Official Quotation on ASX,

(Offer Conditions).

In the event that the above Offer Conditions are not satisfied, the Offers will not proceed, and no Securities will be issued pursuant to this Prospectus. If this occurs, Applicants will be refunded their application monies (without interest) and in accordance with the Corporations Act.

3.8 Shareholder approval

The Company will be holding its 2017 AGM on 19 March 2018. At this meeting, the Recapitalisation Proposal will be put to vote by Shareholders. Shareholder approval will be required for, among other things, all issues of Securities contemplated by the DOCA (summarised in Section 8.2). Shareholders are encouraged to attend and vote at this meeting.

3.9 ASX Guidance Note 33 – Removal of long-term suspended entities

Pursuant to ASX policy contained in ASX Guidance Note 33, an entity that has been in continuous suspension for more than 3 years will be automatically removed from the Official List on the third anniversary of its suspension date if it is still suspended.

The Company has now been in continuous suspension for a period of more than 3 years (having been initially suspended on 13 February 2015 when it was placed into voluntary administration).

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

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

The Company has met the first two of the above requirements but had not met the last two requirements by its third anniversary of its suspension date, being

13 February 2018. ASX has therefore granted a short extension of time until 19 March 2018 in order for the Company to satisfy these last two requirements and demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its Shares within a reasonable period.

The third requirement will have been satisfied upon the lodgement of this Prospectus with ASIC. As noted above, in respect of the fourth requirement, the Company will be holding its 2017 AGM on 19 March 2018, when the Recapitalisation Proposal will be put to vote by Shareholders. If Shareholders approve the Recapitalisation Proposal at this meeting, then the fourth requirement will also have been satisfied and the Company will have met all requirements to enable it to request a further short extension from ASX to the automatic removal deadline in order to complete the recapitalisation. ASX has indicated that if the Company is able to lodge a prospectus and obtain Shareholder approval in respect of the Recapitalisation by no later than 19 March 2018, it will grant a 3 month extension to the automatic removal date up to 19 June 2018.

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

If the Company is unable to meet the conditions required by ASX to request an extension, or if ASX does not grant an extension, the Company will be removed from the Official List of ASX at close of business on 19 March 2018, the DOCA will likely be terminated, and the Deed Administrators will, in the absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to creditors that the Company be put into liquidation. In those circumstances, it is unlikely that there will be any return to Shareholders.

3.10 ASX waivers

ASX Listing Rule 7.11.3

ASX has granted the Company a conditional waiver from the requirements of ASX Listing Rule 7.11.3 to allow the Company to undertake the Entitlement Offer.

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

As the Company's Shares are suspended from trading on ASX, it is not possible for the Company to conduct a renounceable entitlement issue. As the Entitlement Offer is non-renounceable and on a 10:1 basis, ASX has granted the Company a conditional waiver from ASX Listing Rule 7.11.3.

The ASX Listing Rule 7.11.3 waiver is conditional on the Company obtaining Shareholder approval in relation to the Entitlement Offer, the notice of meeting seeking such approval containing a voting exclusion statement that excludes the votes of any substantial shareholders, any proposed underwriter or sub-underwriter of the Entitlement Offer, any brokers or managers of the Entitlement Offer, and any of their respective associates, and the Company announcing the terms of the waiver granted at the time the Entitlement Offer is announced to

Shareholders on the Company's ASX announcement platform (announced on 16 February 2018 in the ASX announcement entitled "Notices of AGM and ASX Waivers"). Shareholder approval for the Entitlement Offer is proposed to be obtained at the forthcoming 2017 AGM.

ASX Listing Rule 10.13.3

ASX has also granted a conditional waiver from the requirements of ASX Listing Rule 10.13.3 so that the issue Securities offered under this Prospectus to related parties of the Company (namely, each of the Directors, as set out in more detail in Section 11.2) (**Related Party Securities**) may occur concurrently with the issue of the Shares under the Entitlement Offer.

ASX Listing Rule 10.13.3 provides that the date by which a listed entity must issue securities to a related party must not be more than one month after the date of the general meeting at which shareholder approval is sought for the issue. This waiver has been sought for the purpose of enabling the Company to issue these Securities more than one month after Shareholders approve the issue of the securities at the 2017 AGM.

The waiver is conditional upon Shareholders approving the issue of the Related Party Securities at the 2017 AGM, the Related Party Securities being issued at the same time as other securities to be issued to non-related parties subscribing in the Capital Raising, and in any event no later than 3 months after the date of the shareholder meeting, and the Company releasing the terms of the waiver to the market at the same time that it releases the notice of meeting for the 2017 AGM (released on 16 February 2018 in the ASX announcement entitled "Notices of AGM and ASX Waivers").

3.11 ASIC relief

Extension of time to hold annual general meetings

ASIC has previously granted extensions of the time within which the Company must hold its annual general meetings for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017 pursuant to section 250P of the Corporations Act due to delays in the completion of the outstanding audited financial reports.

The annual general meetings of the Company for these financial years must now occur on or before 19 March 2018 and, on this basis, have been scheduled by the Company to be held on 19 March 2018, with the relevant notices of annual general meeting having been despatched to Shareholders on 16 February 2018, and available on the Company's ASX announcements platform under the code "LSA".

Extension of time to lodge financial reports

The Company has also been granted an ASIC instrument of relief pursuant to section 340(1) of the Corporations Act under which the Company was granted relief from complying with financial reporting obligations under sections 314, 315, 316(1), 316(2), 319(1), 319(3) and 320(1) in relation to the financial years of the Company ended 30 June 2015, 30 June 2016 and 30 June 2017 and the half-years of the Company ended 31 December 2014, 31 December 2015 and 31 December 2016.

3.12 Consolidation

Subject to Shareholder approval (to be sought at the 2017 AGM), the Company will be consolidating every five (5) Shares into one (1) Share (**Consolidation**). Unless otherwise stated, all references to Securities in the capital of the Company in this Prospectus are made on a post-Consolidation basis.

3.13 Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

3.14 Competent Persons Statement

The information in this Prospectus that relates to Exploration Targets, Exploration Results and Mineral Resources of the Company is based on information compiled by Bernard Aylward, a competent person who is a member of the Australasian Institute of Mining and Metallurgy (**Institute**) and is bound by and follows the Institute's codes and recommended practices. Mr Aylward is a Director of the Company. Mr Aylward has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity to which he is undertaking to qualify as an expert and competent person as defined in the VALMIN Code and in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Aylward consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

As at the date of this Prospectus, Mr Aylward does not have any interests in the Company. However, subject to Shareholder approval at the 2017 AGM and completion of the Offers, Mr Aylward will have an interest in 2,500,000 Director Options and up to 10,000,000 Shares through his proposed participation in the Placement and / or the Shortfall Offer.

3.15 Defined terms

Unless the contrary intention appears, or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning given to those terms in the Glossary in Section 17 of this Prospectus.

3.16 Time

All references to time in this Prospectus are references to Western Australian Standard Time.

3.17 Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other professional adviser without delay.

Should you have any questions about the Offers or how to accept an Offer please call the Deed Administrators on +61 8 9263 7171.

4. CHAIRMAN'S LETTER

Dear Shareholder

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

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

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

A summary of the Recapitalisation Proposal is set out in Section 8.2 of the Prospectus below.

The ASX has advised that it will not require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules as a result of the Recapitalisation Proposal, subject to certain conditions. This Prospectus is a prospectus to satisfy ASX requirements for re-listing following effectuation of the DOCA.

The DOCA is subject to a number of conditions, including obtaining necessary Shareholder approvals. The resolutions proposed at the 2017 AGM to be held on 19 March 2018 will enable the conditions of the DOCA to be completed.

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

Yours faithfully

Gary Steinepreis
Non-executive Chairman
with the authority of the Deed Administrator

5. INVESTMENT OVERVIEW

This Section is a summary only and not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	Lachlan Star Limited ACN 000 759 535 (ASX: LSA) (Company).	Section 8.1
Who is the Company?	<p>The Company was incorporated on 23 February 1970 and was subsequently listed on the ASX on 28 July 1971.</p> <p>The Company's current activities involve resource exploration. On completion of the Recapitalisation Proposal, the Company will continue to hold an interest in the Princhester Magnesite Project in Queensland and Bushranger Copper Project in New South Wales (the Projects). Details of these Projects are set out in Sections 8.6 and 8.7.</p> <p>On 13 February 2015, the Company was suspended from Official Quotation on ASX on the basis that the Board resolved to place the Company into voluntary administration. The Company has remained suspended since this date.</p> <p>ASX has provided conditional approval for reinstatement to trading of the Company's Securities on ASX following Settlement of the DOCA. ASX's conditions for reinstatement are set out in Section 8.4 (ASX Reinstatement Conditions). Reinstatement to trading is at the discretion of ASX and is subject to compliance with ASX and Corporations Act regulatory requirements.</p>	Section 8.1 and 8.6 to 8.8
B. Recapitalisation Overview		
What is the Recapitalisation Proposal?	<p>A recapitalisation proposal typically involves an injection of new cash (by way of issuing new securities) into a company that is either in financial distress or has been placed into voluntary administration.</p> <p>The Recapitalisation Proposal in relation to the Company comprises the proposed Consolidation of the Company's issued Shares, together with the issue of Securities</p>	Section 8.2

Item	Summary	Further information
	<p>under the Offers to raise sufficient funds so that the Company can satisfy ASX conditions for the reinstatement of its Shares to trading on ASX.</p> <p>The Recapitalisation Proposal maximises the chances of the Company continuing in existence and providing a better return to the creditors and Shareholders of the Company than would result from the immediate winding up of the Company.</p>	
<p>What are the key terms of Recapitalisation Proposal?</p>	<p>The key terms of the Recapitalisation Proposal are as follows:</p> <ul style="list-style-type: none"> (a) The Company will retain its interest in the Retained Assets described in Section 8.2(a), with all other assets of the Company to be transferred to the Creditors' Trust. (b) The Company will consolidate its existing Securities on a one (1) for five (5) basis. (c) The Company will proceed with the following issues of securities (on a post-Consolidation basis): <ul style="list-style-type: none"> (i) up to 20,000,000 Shares to the trustee of the Creditors' Trust for the benefit of the creditors' claims (Creditors' Trust Shares); (ii) up to 70,000,000 Shares to the Proponent (or its nominee/s) at an issue price of \$0.0025 per Share to raise up to \$175,000 (Proponent Shares); (iii) up to 330,786,520 Shares pursuant to a pro rata entitlement issue on the basis of ten (10) Shares for every one (1) Share held by eligible Shareholders at an issue price of \$0.005 per Share to raise up to approximately \$1,653,933 (Entitlement Offer Shares); and (iv) up to 100,000,000 unquoted Options to the Proponent (or its nominee/s) exercisable at \$0.005 each on or before 31 December 2021 (Proponent Options). (d) The DOCA is subject to the satisfaction (or waiver by the Proponent) of the 	<p>Section 8.2</p>

Item	Summary	Further information
	<p>conditions of the DOCA (DOCA Conditions) on or before 31 March 2018, or such date as mutually agreed. The DOCA Conditions are summarised in Section 8.3.</p> <p>(e) On execution of the DOCA, the Proponent made a cash advance to the Deed Administrators of \$50,000 for the sole purpose of external costs in implementing the Recapitalisation Proposal (Recapitalisation Expenses Fund). These funds have been expended.</p> <p>(f) The payment of \$675,000 in cash to the Creditors' Trust for the purposes of satisfying the costs of the DOCA administration and creditors' claims (Creditor Payment). The balance of the funds raised under paragraph (c) above will be used on the basis described in Section 7.2.</p> <p>(g) The Company will pay the Proponent any further amounts which may be lent by the Proponent to the Deed Administrators to facilitate the Recapitalisation Proposal, including the Recapitalisation Expenses Fund and the Creditor Payment.</p> <p>(h) The claims of creditors of the Company will be compromised pursuant to the DOCA and the Company will thereafter be debt free.</p> <p>(i) On successful reinstatement to the official list of ASX, the Company will pay the Proponent a Recapitalisation Fee.</p>	
<p>What approvals are proposed to be obtained at the 2017 AGM in order for the DOCA to be effectuated?</p>	<p>At the 2017 AGM to be held on 19 March 2018, the Company is seeking Shareholder approval for, among other things:</p> <p>(a) the Consolidation;</p> <p>(b) approval of the Entitlement Offer;</p> <p>(c) the issue of the 20,000,000 Creditors' Trust Shares;</p> <p>(d) the issue of up to 70,000,000 Proponent Shares to the Proponent (or its nominee/s) and 100,000,000 Proponent Options to the nominee of the</p>	<p>Section 3.8</p>

Item	Summary	Further information
	<p>Proponent, Gary Steinepreis, who is also a Director of the Company;</p> <p>(e) the issue of 2,500,000 Options exercisable at \$0.005 each on or before 31 December 2021 (Director Options) each to Directors, Bernard Aylward and Daniel Smith (being an aggregate of 5,000,000 Director Options);</p> <p>(f) the issue of 300,000,000 Shares to unrelated third parties at an issue price of \$0.005 per Share to raise up to \$1,500,000 (Placement) (Placement Shares); and</p> <p>(g) the issue of 10,000,000 Shares each to Directors, Bernard Aylward and Daniel Smith (being an aggregate of 20,000,000 Shares), and 50,000,000 Shares to Director, Gary Steinepreis, to permit their participation in the Placement or Shortfall under the Entitlement Offer,</p> <p>(each a Recapitalisation Resolution).</p>	
<p>What is the effect of the DOCA?</p>	<p>If the Recapitalisation Proposal is implemented, the Company will be debt free, it will be able to continue its business in Australia and will be in a position to seek the reinstatement of its Shares to Official Quotation on ASX.</p> <p>On Settlement of the DOCA and completion of the Offers (assuming full subscription under the Offers, and no other Securities are issued other than pursuant to this Prospectus):</p> <p>(a) the Company will have 753,865,172 Shares and 105,000,000 Options on issue;</p> <p>(b) the existing Shareholders will be offered the opportunity to retain approximately 48.2% of the Company's issued share capital; and</p> <p>(c) the Proponent, an entity associated with Director, Gary Steinepreis, or his nominees will hold approximately 9.3% of the Company's issued share capital.</p> <p>The effect of the Offers is set out in the capital structure table in Section 7.5, the financial information in Section 9 and elsewhere in this Prospectus.</p> <p>The Offers are conditional upon certain Offer Conditions (outlined in Section 3.7), including the Company receiving approval from ASX to</p>	<p>Sections 7.5, 8.2 to 8.4 and 9</p>

Item	Summary	Further information
	<p>reinstatement of the Company to official quotation on ASX following Settlement of the DOCA (Settlement). If the ASX does not provide that conditional approval, the Offers will not proceed, no Securities will be issued under this Prospectus and the Company will repay all application monies received from Applicants, without interest.</p>	
<p>C. Business Model</p>		
<p>What is the Company's proposed business model and how will the Company generate income?</p>	<p>The Company's current activities involve resource exploration.</p> <p>On completion of the Recapitalisation Proposal, the Company will continue to retain an interest in the Princhester Magnesite Project and Bushranger Copper Project. The Company intends to use part of the funds raised under this Prospectus to develop the Princhester Magnesite Project, with long term objectives of generating income from this Project. The Company will also retain its royalty interest in the Bushranger Copper Project, which may also generate income for the Company in the future moving forward.</p> <p>The Company also intends to monitor other project acquisition opportunities which will generate shareholder value, and a portion of funds raised under the Offer has been allocation to this.</p> <p>Further details relating to the Company's projects and business model are set out in Section 8.</p> <p>Refer to Section 7.2 for proposed use of funds following completion of the Offers and reinstatement of Shares to trading on ASX.</p>	<p>Sections 7.2 and 8.5 to 8.8</p>
<p>What are the Company's main objectives?</p>	<p>The Company's main objectives as at the date of this Prospectus are as follows:</p> <ul style="list-style-type: none"> (a) wholly effectuating the DOCA; (b) reinstating its quoted Securities to trading on the ASX by satisfying the ASX Reinstatement Conditions; (c) progressing the Company's existing exploration activities on the Retained Assets; and 	<p>Section 7.1</p>

Item	Summary	Further information
	<p>(d) implementing a growth strategy to seek out further exploration, acquisition and joint venture opportunities in Australia.</p> <p>The Directors are satisfied that upon completion of the Offers, the Company will have sufficient working capital to carry out its stated objectives.</p>	
<p>What are the ASX Reinstatement Conditions?</p>	<p>ASX has provided the Company with a list of conditions which the Company must comply with in order for its Securities to be reinstated to Official Quotation on ASX. These conditions are summarised in Section 8.4.</p>	<p>Section 8.4</p>
<p>What are the key dependencies of the business model?</p>	<p>As at the date of this Prospectus, the key factors that the Company depends on to meet its objectives are completion of the Offers, the ASX Reinstatement Conditions and settlement of the DOCA.</p>	<p>Section 7.1</p>
<p>D. Key Investment Highlights</p>		
<p>What are the key investment highlights?</p>	<p>The Directors are of the view that, subject to completion of the Offers, the ASX Reinstatement Conditions and effectuation of the DOCA, an investment in the Company provides the following non-exhaustive list of key highlights:</p> <ul style="list-style-type: none"> (a) an ability to participate in the Company's activities in respect of its Retained Assets; (b) the opportunity to participate in any growth strategies implemented by the Company; and (c) an opportunity to participate in a recapitalisation of an existing listed company. 	<p>Section 7</p>
<p>E. Key Risks</p>		
<p>What are the key risks of an investment in the Company?</p>	<p>The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.</p> <p>Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors</p>	<p>Section 10</p>

Item	Summary	Further information
	<p>of which investors should be aware are set out below. Further industry specific and general risk factors are set out in Section 10 of this Prospectus.</p> <p>The risk factors described in this Investment Overview and Section 10 are not intended to be an exhaustive list of the risk factors to which the Company is exposed.</p> <p>(a) ASX extension of time: As noted in Section 3.9, ASX has granted a short extension of time until 19 March 2018 in order for the Company to lodge this Prospectus and obtain Shareholder approval of the Recapitalisation Proposal in order to demonstrate to ASX's satisfaction that it is in the "final stages" of implementing a transaction that will lead to the resumption of trading in its Shares within a reasonable period. The Company will then be in a position to request a further 3 month extension from ASX to the 3-year automatic removal deadline, up to 19 June 2018, in order to complete the Recapitalisation.</p> <p>If the Company is unable to meet the conditions required by ASX to request an extension (for example, if Shareholders do not approve the Recapitalisation Proposal), or if ASX does not grant an extension, the Company will be removed from the Official List of ASX at close of business on 19 March 2018, the DOCA will likely be terminated, and the Deed Administrators will, in the absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to creditors that the Company be put into liquidation. In those circumstances, it is unlikely that there will be any return to Shareholders.</p> <p>(b) Shareholder approval: The issue of Securities under this Prospectus is subject to Shareholder approval of all Recapitalisation Resolutions. If Shareholders do not approve all or approve only some of the Recapitalisation Resolutions at the 2017 AGM, the Recapitalisation Proposal will be unable to proceed, and the Company will be removed from the</p>	

Item	Summary	Further information
	<p>Official List of ASX, the DOCA will likely be terminated and the Company will likely, in the absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, be put into liquidation. AS noted above, in those circumstances, it is unlikely that there will be any return to Shareholders.</p> <p>(c) DOCA effectuation: The Company is currently subject to a Deed of Company Arrangement (DOCA), which requires, among other things, that certain DOCA Conditions outlined in Section 8.3 be satisfied in order for the DOCA to be wholly effectuated, including raising the Minimum Subscription under the Entitlement Offer. While every endeavour will be made to comply with the DOCA Conditions, there is a risk that if the DOCA Conditions are not satisfied the Company may remain in voluntary administration or proceed to liquidation.</p> <p>(d) Going concern risk: In the Company's Annual Report for the period ended 30 June 2017 (2017 Annual Report), announced on the Company's ASX platform on 2 January 2018, the independent auditor's report notes that the Company Group incurred a net loss after tax of \$198,274 during the year ended 30 June 2017, and, as of that date, had a net current asset deficiency of \$1,308,080. As a result, the independent auditor noted that the Company Group is dependent on successfully raising additional funding and noted that these conditions, along with other matters set out in the Annual Report, indicate that a material uncertainty exists that may cast significant doubt about the Company Group's ability to continue as a going concern.</p> <p>Whilst the Directors consider that the Company will, subject to the Offer Conditions outlined in Section 3.7 being satisfied, continue as a going concern once appropriate funding to continue the Company's operations have been raised, investors should note that there is</p>	

Item	Summary	Further information
	<p>still a risk that the Company may not continue as a going concern.</p> <p>(e) ASX Suspension: As at the date of this Prospectus, the Company is suspended from the Official List of ASX. As such, there is no market for Shares and the Shares offered pursuant to this Prospectus are highly illiquid.</p> <p>(f) Reinstatement to Trading on ASX: At a time following completion of the Offers, but in any case in accordance with any extension of time granted by ASX in accordance with its policy in respect of long-term suspended entities in ASX Guidance Note 33, the Company intends to satisfy the requirements of ASX and apply for the reinstatement to trading of its Securities on ASX. While every endeavour will be made to comply with the requirements set down by the ASX Listing Rules, there can be no guarantee the Company will be able to comply with the requirements of ASX or that the Shares will be reinstated to trading on ASX. In the event the Company is unable to comply with the requirements of ASX, the Company will be removed from the Official List. Please refer to Section 8.4 for further information in relation to the ASX Reinstatement Conditions.</p> <p>(g) Future Capital Requirements: The Company is likely to require additional funding in the future (whether by way of debt or equity or a combination of both). The ability of the Company to meet this future requirement will be dependent on the Company's continued access to credit markets, funding sources and financing facilities. Recent developments in global financial markets have adversely affected the liquidity of global credit markets, which has resulted in an increase in the cost of funding and in certain cases a reduction in the availability of funding sources throughout global markets. Access to credit markets on less favourable terms will impact the Company's access to financing facilities should the need arise and may have a material adverse effect on the</p>	

Item	Summary	Further information
	<p>Company's future financial performance and position.</p> <p>Furthermore, any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if, and when, needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities and its solvency.</p> <p>(h) Dilution: Upon implementation of the Offers the number of Shares in the Company will increase from 33,078,652 on issue (on a post-Consolidation basis) to 753,865,172 Shares. This means existing Shareholders may have their existing Shareholdings in the Company diluted if they decide not to or are not eligible to participate in the Entitlement Offer.</p> <p>(i) Uncertainty of future profitability: The Company has incurred losses and it is not possible to evaluate the future prospects of the Company based on past performance. Other factors that will determine the Company's financial results are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets the Company operates, competitive factors and regulatory developments. The Directors cannot guarantee the future financial performance of the Company and consequently give no financial forecasts.</p> <p>(j) Exploration: The Company's Tenements are at an early stage of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of the Company's tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is</p>	

Item	Summary	Further information
	<p>identified, there is no guarantee that it can be economically exploited.</p> <p>(k) Failure to satisfy expenditure commitments: The Company's interests in Tenements in Queensland and New South Wales are governed by legislation and regulations which are currently applicable in those States and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the Company's tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.</p>	
<p>F. Directors and Key Management Personnel</p>		
<p>Who are the Directors?</p>	<p>Effective from 18 January 2018, Directors Gary Steinepreis, Bernard Aylward and Daniel Smith were appointed to the Board, in replacement of Declan Franzmann and Anthony Cipriano, who resigned on the same date.</p> <p>The Company is seeking Shareholder approval for the Board appointments at the 2017 AGM to be held on 19 March 2018.</p> <p>The profiles of each of the Directors are set out in Section 11.1.</p>	<p>Section 11.1</p>
<p>What are the significant interests of Directors in the Company?</p>	<p>Details of the personal interests of each of the Director's in the Securities of the Company as well as their respective remuneration agreed with the Company is detailed in Section 11.2.</p>	<p>Section 11.2</p>

Item	Summary	Further information
G. Financial Information		
<p>How has the Company been performing?</p>	<p>The Company is currently listed on ASX and its financial history, including its Annual Reports are available on its website at www.lachlanstar.com.au or from its ASX announcements platform at www.asx.com.au (ASX code "LSA").</p> <p>The unaudited Proforma Financial Information for the Company as at 31 December 2017 is set out in Section 9.</p> <p>Following completion of the Recapitalisation Proposal, the Company will be focused on developing the Princhester Magnesite Project, as well as continuing to monitor new opportunities to acquire further projects. Therefore, the Company's past operations and financial historical performance will not be of significant relevance to future activities.</p> <p>Prior to and including the date of this Prospectus, the Company has been in external administration and therefore has reduced operations in respect of its mineral exploration business with the exception of maintaining its interest in the Princhester Magnesite Project and Bushranger Copper Project. The Directors consider that it is not possible to accurately predict the future revenues or profitability of the Company or whether any material revenues or profitability will eventuate.</p> <p>As a result, the Company is not in a position to disclose any key financial ratios or financial information other than the unaudited proforma financial statements referred to above.</p>	<p>Section 9</p>
<p>Has the Company included forecast financial information in respect of its business?</p>	<p>Given the current status of the Company's operations and the significant changes anticipated, the Directors do not consider it appropriate to forecast future earnings.</p> <p>Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection on a reasonable basis.</p>	<p>Section 8.10</p>

Item	Summary	Further information
H. Offers		
<p>What is being offered and who is entitled to participate in the Entitlement Offer?</p>	<p>The Entitlement Offer is a non-renounceable entitlement issue of ten (10) Shares for every one (1) Share held by those Shareholders registered at the Record Date at an issue price of \$0.005 per Share to raise up to \$1,653,933.</p> <p>The Directors consider that the Entitlement Offer must be on a 10 for 1 basis to enable sufficient funds to be raised to stabilise the Company's financial position and provide it with funds to continue its exploration activities in Australia. A raising of 1 for 1 or less is considered insufficient to meet this objective.</p>	<p>Section 6.1</p>
<p>What is the purpose of the Entitlement Offer?</p>	<p>The Entitlement Offer is being undertaken to raise up to \$1,653,933 in order to position the Company to seek to achieve the objectives set out about in Section 7.1, and to satisfy conditions required to effectuate the DOCA and obtain ASX's approval for reinstatement of the Company's Shares to quotation following effectuation of the DOCA.</p> <p>It is expected by the Board that if the Entitlement Offer, and the Other Offers under this Prospectus, are successfully implemented, and subject to ASX's discretion and the Company's compliance with all ASX Reinstatement Conditions, reinstatement, trading of the Company's Securities on ASX will recommence.</p> <p>If the Entitlement Offer, and therefore the Recapitalisation Proposal, does not complete, the Deed Administrators will need to investigate other options for the Company, which will include liquidation, in which case it is expected by the Board that there will be no return.</p>	<p>Section 6.1</p>

Item	Summary	Further information
What is the Shortfall Offer?	<p>Any Entitlement not taken up pursuant to the Entitlement Offer will form the Shortfall Offer. The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date.</p> <p>Eligible Shareholders and investors who are not Shareholders of the Company can apply for Shortfall Shares under the Prospectus (Shortfall Placement). The Shortfall Offer is intended to be allocated in priority to eligible Shareholders who apply for Shortfall Shares, subject to the discretion of the Proponent. The issue price for each Share to be issued under the Shortfall Placement shall be \$0.005 being the price at which Shares have been offered under the Entitlement Offer.</p> <p>Subject to Shareholder approval at the Company's 2017 AGM, the Directors may be entitled to participate in the Shortfall Placement (and/or the Placement). As at the date of this Prospectus, the Directors intend to participate in the Shortfall if the relevant Shareholder approval is obtained. Further information in relation to Directors and their securityholding interests is set out in Section 11.2.</p>	Section 6.7
What are the Other Offers?	<p>This Prospectus also contains the following other Offers:</p> <ul style="list-style-type: none"> (a) an offer of 20,000,000 Creditors' Trust Shares (Creditors' Trust Offer); (b) an offer of 70,000,000 Proponent Shares and 100,000,000 Proponent Options (Proponent Offer); (c) an offer of 5,000,000 Director Options to Directors Bernard Aylward and Daniel Smith (Director Offer); and (d) an offer of up to 300,000,000 Placement Shares (Placement Offer), <p>(together the Other Offers).</p> <p>Further information relating to the Other Offers, and who may apply for Securities issued under them, is set out in Section 6.</p>	Section 6

Item	Summary	Further information
What is the purpose of the Other Offers?	<p>The purpose of the Other Offers is to:</p> <p>(a) raise a total of \$175,000 under the Proponent Offer and up to \$1,500,000 under the Placement Offer in order to position the Company to seek to achieve the objectives set out about in Section 7.1;</p> <p>(b) satisfy conditions required to effectuate the DOCA (in respect of the Proponent Offer, the Creditors' Trust Offer and the Placement Offer) and obtain ASX's approval for reinstatement of the Company's Shares to quotation following effectuation of the DOCA; and</p> <p>(c) cleanse the issue of Securities under the Other Offers to facilitate secondary trading of those Securities.</p>	Sections 6 and 7.1
Are the Offers underwritten?	None of the Offers under this Prospectus are underwritten.	Sections 6.1 and 6.2
What will the Company's capital structure look like after completion of the Offers and Settlement?	Upon completion of the Offers, the Company will have a total of 753,865,172 Shares on issue and 105,000,000 Options on issue. Refer to Section 7.5 for further details in relation to the Company's proposed capital structure following completion of the Offers.	Section 7.5
What are the terms of the Securities offered under the Offers?	<p>A summary of the material rights and liabilities attaching to the Securities offered under the Offers are set out in Section 14.1.</p> <p>The terms and conditions of the Options offered under the Proponent Offer and Director Offer are set out in Section 14.2.</p>	Sections 14.1 and 14.2
Will any Securities be subject to escrow?	<p>Subject to completing the Offers, it is not anticipated that any Securities will be classified by ASX as restricted securities or be required to be held in escrow for a period of time following the date of Official Quotation.</p> <p>The Company will disclose the total number of Securities subject to escrow (if any) following its reinstatement to trading on ASX.</p>	Section 7.8

Item	Summary	Further information
Will the Shares be quoted?	<p>Application for quotation of all Shares to be issued under the Offers will be made to ASX in accordance with the timetable set out in Section 2.</p> <p>The Options to be issued under the Director Offer and the Proponent Offer will not be quoted.</p>	Sections 2 and 6.9
What are the key dates of the Offers?	The key dates of the Offers are set out in the indicative timetable in Section 2.	Section 2
Are there any conditions to the Offers?	<p>The Offers are subject to and conditional upon the following Offer Conditions:</p> <ul style="list-style-type: none"> (a) the Company receiving Shareholder approval for the Offers at its 2017 AGM; and (b) the Minimum Subscription being achieved under the Entitlement Offer; (c) the DOCA being wholly effectuated; and (d) the Company having satisfied the ASX Reinstatement Conditions and its Securities being reinstated to Official Quotation on ASX. <p>If any of these Offer Conditions are not satisfied, the Recapitalisation Proposal and the Offers will not proceed.</p>	Section 3.7 and 3.8
I. Use of funds		
How will the proceeds of the Entitlement Offer, Options Offer and the Company's existing cash reserves be used?	<p>The funds raised, together with the Company's existing cash reserves will be used to meet:</p> <ul style="list-style-type: none"> (a) payment to the Creditors' Trust; (b) costs of Recapitalisation Proposal; (c) Recapitalisation Fee; (d) costs of the Offers; (e) development of the Retained Assets; (f) review and evaluation of new projects; and (g) otherwise contribute to the working capital of the Company. <p>Refer to the use of funds table in Section 7.2 for further details.</p>	Section 7.2

Item	Summary	Further information
Will the Company be adequately funded after completion of the Entitlement Offer?	The Directors are satisfied that on completion of the Offers, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.	Section 7.2
J. Additional information		
What are the tax implications of investing in Securities?	<p>Holders of Securities may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Securities subscribed for under this Prospectus.</p> <p>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Securities offered under this Prospectus.</p>	Section 6.12
Is there any brokerage, commission or duty payable by applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Securities under the Offers, however the Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in relation to the Shortfall Offer and Placement (as further described in Section 6.13).	Section 6.13
Where can I find more information?	<p>(a) By speaking to your stockbroker, solicitor, accountant or other independent professional adviser;</p> <p>(b) By reviewing the Company's public announcements, which are accessible from ASX's website at http://www.asx.com.au under the ASX code LSA;</p> <p>(c) By contacting the Deed Administrator, on + 61 8 9263 7171; or</p> <p>(d) By contacting the Share Registry on +61 8 9323 2000.</p>	

6. DETAILS OF THE OFFERS

6.1 The Entitlement Offer

The Entitlement Offer is being made as a non-renounceable entitlement issue of ten (10) Shares for every one (1) Share held by Shareholders registered at the Record Date at an issue price of \$0.005 per Share to raise up to \$1,653,933.

- (a) Fractional entitlements will be rounded up to the nearest whole number.
- (b) The minimum subscription for the Entitlement Offer is the full amount being raised under that offer, being \$1,653,933 (**Minimum Subscription**). If this amount is not raised, then the Entitlement Offer will not proceed and no Securities will be issued under this Prospectus.
- (c) Based on the capital structure of the Company as at the date of this Prospectus, if the Entitlement Offer proceeds, a maximum of 330,786,520 Shares will be issued pursuant to the Entitlement Offer. The dilutionary effect of the Entitlement Offer on the Company is set out in Section 7.1. The expected capital structure of the Company upon completion of all Offers is set out in Section 7.5.
- (d) All of the Shares offered under the Entitlement Offer will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 14.1 for further information regarding the rights and liabilities attaching to the Shares.
- (e) The Entitlement Offer is not underwritten.
- (f) The Entitlement Offer is subject to and conditional upon the satisfaction of the Offer Conditions outlined in Section 3.7. In the event the Offer Conditions are not satisfied, the Offers will not proceed, and no Securities will be issued pursuant to this Prospectus. If this occurs, Applicants will be refunded their application monies (without interest) and in accordance with the Corporations Act.

6.2 The Other Offers

- (a) This Prospectus also contains the following Other Offers:
 - (i) **Creditors' Trust Offer:** An offer of 20,000,000 Creditors' Trust Shares for the benefit of the creditors' claims.
 - (ii) **Proponent Offer:** An offer of 70,000,000 Proponent Shares at an issue price of \$0.0025 per Share to raise up to \$175,000, and 100,000,000 Proponent Options exercisable at \$0.005 each on or before 31 December 2021.
 - (iii) **Director Offer:** An offer of 5,000,000 Director Options to Directors, Bernard Aylward and Daniel Smith, exercisable at \$0.005 each on or before 31 December 2021.
 - (iv) **Placement Offer:** An offer of up to 300,000,000 Placement Shares at an issue price of \$0.005 per Share to raise up to \$1,500,000.
- (b) There is no minimum subscription for the Other Offers.

- (c) Based on the capital structure of the Company as at the date of this Prospectus, if the Other Offers proceed, a maximum of 390,000,000 Shares and 105,000,000 Options will be issued pursuant to the Other Offers. The expected capital structure of the Company upon completion of all Offers is set out in Section 7.5.
- (d) All of the Shares offered under the Other Offers will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 14.1 for further information regarding the rights and liabilities attaching to the Shares.
- (e) All of the Options offered under this Prospectus will be issued on the terms and conditions set out in Section 14.2. All Shares issued on conversion of the Options will rank equally with the Shares on issue at the date of this Prospectus.
- (f) The Other Offers are not underwritten.
- (g) The Other Offers are subject to and conditional upon the satisfaction of the Offer Conditions outlined in Section 3.7. In the event the Offer Conditions are not satisfied, the Offers will not proceed, and no Securities will be issued pursuant to this Prospectus. If this occurs, Applicants will be refunded their application monies (without interest) and in accordance with the Corporations Act.

6.3 Acceptance – Entitlement Offer

Your acceptance of the Entitlement Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Entitlement Offer as follows:

- (a) if you wish to accept your **full Entitlement**:
 - (i) complete the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft or money order made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form or pay BPAY® by following the instructions set out below and in the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part of your Entitlement**:
 - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft or money order made payable in Australian currency, for the appropriate application monies (at \$0.005 per Share) or pay BPAY® by following the instructions set out below and in the Entitlement and Acceptance Form; or

- (c) if you wish to accept your **full Entitlement and apply for additional Shortfall Shares** under the Shortfall Offer:
- (i) complete the Entitlement and Acceptance Form including filling in the number of Shortfall Shares you wish to apply for in the Shortfall section on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft or money order made payable in Australian currency, for the appropriate application monies (at \$0.005 per Share) or pay via BPAY® by following the instructions set out below and in the Entitlement and Acceptance Form; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

The Entitlement Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

6.4 Applications – Other Offers

Applications for the Other Offers must be made using the relevant Application Form. Investors should note that by completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have received personally the Application Form together with a complete and unaltered copy of the Prospectus.

The Company reserves the right to close the Offers early, subject to compliance with ASX Listing Rules.

Creditors' Trust Offer

The Creditors' Trust Offer is an offer to the Trustees of the Creditors' Trust (and/or its nominees) for the benefit of the creditors' claims only. **Only the Trustees of the Creditors' Trust (and/or their nominees) may apply for Shares under the Creditors' Trust Offer.**

A personalised Creditors' Trust Offer Application Form will be issued to the Trustees of the Creditors' Trust, together with a copy of the Prospectus. Completed Creditors' Trust Offer Application Forms must be mailed or delivered to the address set out on the Creditors' Trust Offer Application Form so they are received by no later than the Closing Date.

Proponent Offer

The Proponent Offer is an offer to the Proponent (and/or its nominees). **Only the Proponent (and/or its nominees) may apply for Securities under the Proponent Offer.**

A personalised Proponent Offer Application Form will be issued to the Proponent, together with a copy of the Prospectus. Completed Proponent Offer Application Forms must be mailed or delivered to the address set out on the Proponent Offer Application Form, so they are received by no later than the Closing Date.

Director Offer

The Director Offer is an offer to Directors Bernard Aylward and Daniel Smith (and/or their nominees) only. **Only Bernard Aylward and Daniel Smith (and/or their nominees) may apply for Options under the Director Offer.**

A personalised Director Offer Application Form will be issued to Bernard Aylward and Daniel Smith (and/or their nominees) together with a copy of the Prospectus. Completed Director Offer Application Forms must be mailed or delivered to the address set out on the Director Offer Application Form, so they are received by no later than the Closing Date.

Placement Offer

The Placement Offer is an offer to unrelated third-party investors identified by the Company (and/or their nominees) only. **Only these third parties (and/or their nominees) may apply for Shares under the Placement.**

A personalised Placement Application Form will be issued to these third-party investors (and/or their nominees) together with a copy of the Prospectus. Completed Placement Offer Application Forms must be mailed or delivered to the address set out on the Placement Offer Application Form, so they are received by no later than the Closing Date.

6.5 Payment by cheque/bank draft/money order

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Lachlan Star Limited" and crossed "**Not Negotiable**".

Your completed Entitlement and Acceptance Form or Application Form for any Other Offer and cheque, bank draft or money order must reach the Company's Share Registry no later than 5.00pm (WST) on the Closing Date.

6.6 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form or Application Form (as applicable). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Application Form but are taken to have made the declarations on that Application Form;
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies; and
- (c) if you make payment of application monies in excess of your Entitlement, you are deemed to have taken up your Entitlement and made an application for Shortfall Shares.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Securities (only where the amount is \$1.00 or greater) will be

refunded. No interest will be paid on any application monies received or refunded.

6.7 Shortfall Offer

Any Entitlement not taken up pursuant to the Entitlement Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.005 being the price at which Shares have been offered under the Entitlement Offer.

The Shortfall Offer will be allocated in priority to eligible Shareholders who apply for Shortfall Shares, subject to the discretion of the Proponent.

Subject to Shareholder approval being obtained at the 2017 AGM, the Directors also intend to participate in the Shortfall Offer.

6.8 Issue of Securities and allocation policy – Other Offers

Subject to the satisfaction of the Offer Conditions set out in Section 3.7, the Securities issued pursuant to the Offers will be issued in accordance with the ASX Listing Rules and timetable set out in Section 2.

The recipients of Securities under the Creditors' Trust Offer, Proponent Offer, Director Offer and Placement are as set out in Section 6.4 and Securities under those Offers will only be allocated and issued to those parties (or their nominees) as specified.

Securities issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Securities issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offers will be mailed in accordance with the ASX Listing Rules and timetable set out in Section 2 and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

6.9 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within 7 days of the date of this Prospectus. The Proponent Options and the Director Options will not be quoted.

If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), none of the Securities will be issued under the Offers and the Company will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

Quotation of the Company's Securities (including those offered under this Prospectus) is dependent upon the Company satisfying the ASX Reinstatement Conditions, which are summarised in Section 8.4, in accordance with any extension of time granted by ASX in accordance with Guidance Note 33 policy (refer to Section 3.9 for further information).

6.10 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Entitlement Offer

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Entitlement Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Securities under the Entitlement Offer are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these Securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Other Offers

No action has been taken to register or qualify the Securities or otherwise permit a public offering of the Securities the subject of the Other Offers in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Securities pursuant to the Other Offers under this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

6.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Securities issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

6.12 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. It is not possible to provide a comprehensive summary of the possible taxation position of all potential Applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

6.13 Commissions payable

The Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee in relation to the Shortfall Offer and Placement. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

7. PURPOSE AND EFFECT OF OFFERS

7.1 Company's objectives and purpose of the Offers

The Company's main objectives as at the date of this Prospectus are as follows:

- (a) wholly effectuating the DOCA;
- (b) reinstating its quoted Securities to trading on the ASX by satisfying the ASX Reinstatement Conditions;
- (c) progressing the Company's existing exploration activities on the Retained Assets; and
- (d) implementing a growth strategy to seek out further exploration, acquisition and joint venture opportunities in Australia.

The purpose of the Offers therefore is to raise:

- (a) up to \$1,653,933 under the Entitlement Offer;
- (b) \$175,000 under the Proponent Offer; and
- (c) up to \$1,500,000 under the Placement Offer,

in order to position the Company to pay the costs of the Offers and Recapitalisation Proposal, seek to achieve the above objectives and remove any trading restrictions in respect of the issue of Securities under the Other Offers. The Directors are satisfied that upon completion of the Offers (other than the Options to be granted under the Director Offer and the Proponent Offer, which will not be quoted), the Company will have sufficient working capital to carry out its stated objectives.

No funds will be raised from the Creditors' Trust Offer, the Director Offer and the issue of the Options issued under the Proponent Offer.

7.2 Use of Funds

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

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

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

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

If the full amount is raised under the Recapitalisation Proposal (assuming the Entitlement Issue is fully subscribed and all Proponent Shares and Shares under the Placement are issued), a total of \$3,328,933 would be raised (**Full Amount**).

Use of funds on Minimum Amount being raised

The table below sets out the intended application of the cash reserves of the Company if the Minimum Amount is raised over the 24 months following reinstatement of the Company to quotation on the Official List of ASX.

	Year 1 (\$)	Year 2 (\$)	Total (\$)	Percentage of funds (%)
Funds raised:				
Entitlement Issue and or Placement	1,653,933	Nil	1,653,933	90.4%
Proponent Shares	175,000	Nil	175,000	9.6%
	1,828,933	Nil	1,828,933	100%
Utilised as follows:				
Payment to the Creditors' Trust	675,000	Nil	675,000	36.9%
Cost of Recapitalisation Proposal	75,000	Nil	75,000	4.1%
Recapitalisation Fee ¹ , Capital Raising fees and associated expenses of the Offers ²	75,000	Nil	75,000	4.1%
Development of Retained Assets	125,000	200,000	325,000	17.7%
Review and evaluation of new projects	100,000	150,000	250,000	13.66%
Working capital and general funds available ³	200,000	228,933	428,933	23.4%
TOTAL	1,250,000 (68.3%)	578,933 (31.7%)	1,828,933	100%

Notes

1. Refer to Section 8.2 for further details in respect of the Recapitalisation Fee payable pursuant to the terms of the DOCA. If the Minimum Amount is raised the Recapitalisation Fee payable to the Proponent will be reduced to \$50,000, with capital raising fees and associated expenses estimated to be approximately \$25,000. If more than the Minimum Amount, but less than the Full Amount, is raised, it is intended that the Recapitalisation Fee will be increased subject to payment of capital raising fees and associated expenses.
2. Refer to Section 15.6 for further details.
3. Working capital includes the general costs associated with the management and operation of the business including administration expenses, salaries, Directors' fees, rent and other associated costs.

Use of funds on Full Amount being raised

The table below sets out the intended application of the cash reserves of the Company if the Full Amount is raised over the 24 months following reinstatement of the Company to quotation on the Official List of ASX.

	Year 1 (\$)	Year 2 (\$)	Total (\$)	Percentage of Funds (%)
Funds raised:				
Entitlement Offer	1,653,933	Nil	1,653,933	49.7%
Proponent Shares	175,000	Nil	175,000	5.3%
Placement	1,500,000	Nil	1,500,000	45%
	3,328,933	Nil	3,328,933	100%
Utilised as follows:				
Payment to the Creditors' Trust	675,000	Nil	675,000	20.3%
Cost of Recapitalisation Proposal	150,000	Nil	150,000	4.5%
Recapitalisation Fee ¹	100,000	Nil	100,000	3%
Capital Raising fees and associated expenses of the Offers ²	250,000	Nil	250,000	7.5%
Development of Retained Assets	300,000	250,000	550,000	16.5%
Review & evaluation of new projects	200,000	200,000	400,000	12%
Working capital and general funds available ³	500,000	603,933	1,103,933	36.2%
TOTAL	2,175,000 (66.8%)	1,153,933 (33.2%)	3,328,933	100%

Notes

1. Payable pursuant to the terms of the DOCA. Refer to Section 8.2 for further details.
2. Comprising an estimated amount of up to \$189,236 payable to unrelated third parties in capital raising fees at 6% of the total amount raised under the Entitlement Offer and the Placement Offer, with the balance being associated expenses of the Offers. No capital raising fees will be payable if the Minimum Amount is raised.
3. Working capital includes the general costs associated with the management and operation of the business including administration expenses, salaries, Directors' fees, rent and other associated costs.

Allocation if more than Minimum Amount but less than Full Amount

In the event the Company raises more than the Minimum Amount and less than the Full Amount, the additional funds raised will be applied towards the expenses of the Offers including Capital Raising and associated expenses first and then pro rata towards the Development of Retained Assets, Review and evaluation of new

projects and working capital and general funds available. This will provide the Company with sufficient working capital to achieve its objectives.

The above tables are a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 10).

It should be noted that the Company is unlikely to be self-funding through its own operational cash flow at the end of the 24-month period referred to above. Accordingly, the Company will likely require additional capital beyond this point, which will likely involve the use of additional debt or equity funding.

7.3 Effect of Offers

The effect of the Offers will be to:

- (a) increase the cash reserves of the Company by:
 - (i) \$1,753,933 (assuming the Minimum Amount is raised under the Offers and after deducting estimated expenses of the Offers); or
 - (ii) \$3,028,933 (assuming the Full Amount is raised under the Offers and after deducting estimated expenses of the Offers);
- (b) increase the number of Shares on issue from 33,078,652 (on a post-Consolidation basis) to 753,865,172 following completion of the Offers (assuming the Offers are fully subscribed); and
- (c) increase the number of Options on issue from nil to 105,000,000 following completion of the Offers.

7.4 Potential Dilution from Entitlement Offer

Shareholders should note that if they do not participate in the Entitlement Offer, their holdings are likely to be diluted by approximately 90.9% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus, which does not include the Shares to be issued under the Other Offers). This dilution will increase to approximately 95.6% if the issue of Shares under the Other Offers is factored into the dilution calculation.

Examples of how the dilution may impact Shareholders in either scenario is set out in the table below:

Dilution as at date of Prospectus

Holder	Holding as at Record date	% at Record Date	Entitlements under the Entitlement Offer (10:1)	Holdings if Entitlement Offer not taken Up	% post Entitlement Offer
Example dilution as at date of Prospectus (upon completion of Entitlement Offer)					
Shareholder 1	10,000,000	30.2%	100,000,000	10,000,000	3.2%
Shareholder 2	5,000,000	15.1%	50,000,000	5,000,000	1.5%

Shareholder 3	1,500,000	4.5%	15,000,000	1,500,000	0.4%
Shareholder 4	400,000	1.2%	4,000,000	400,000	0.12%
Example dilution as at date of completion of all Offers					
Shareholder 1	10,000,000	30.2%	100,000,000	10,000,000	1.3%
Shareholder 2	5,000,000	15.1%	50,000,000	5,000,000	0.7%
Shareholder 3	1,500,000	4.5%	15,000,000	1,500,000	0.2%
Shareholder 4	400,000	1.2%	4,000,000	400,000	0.05%

Notes:

- The dilutionary effect shown in the table above is the maximum percentage on the assumption that:
 - 33,078,652 Shares are currently on issue;
 - 330,786,520 Shares are issued under the Entitlement Offer or those Entitlements not accepted are placed under the Shortfall Offer;
 - 20,000,000 Creditors' Trust Shares are issued;
 - 70,000,000 Proponent Shares are issued;
 - 300,000,000 Placement Shares are issued; and
 - no further Shares are issued.
- In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

7.5 Capital Structure

The capital structure of the Company following completion of the Offers, is summarised below:

Securities	Shares
Currently on issue	165,393,259
Post-Consolidation (1:5)	33,078,652
Entitlement Offer	330,786,520
Creditors' Trust Shares	20,000,000
Proponent Shares	70,000,000
Placement Shares	300,000,000
TOTAL	753,865,172

Notes:

- The rights attaching to the Shares are summarised in Section 14.1.

Securities	Options
Currently on issue	Nil
Post Consolidation (1:5)	Nil
Proponent Options	100,000,000 ¹
Director Options	5,000,000 ¹
TOTAL	105,000,000

Notes:

1. Unquoted Options exercisable at \$0.005 each on or before 31 December 2021 (on a post-Consolidation basis). The terms and conditions of these Options are set out in Section 14.2.

7.6 Substantial Shareholders

Based on the information contained in the Company's Annual Report for the financial year ended 30 June 2017, those persons which (together with their associates) have advised the Company that they hold a relevant interest in 5% or more of the Shares on issue (pre-Consolidation) are set out in the table below:

Shareholder	Shares	% of Shares held
Sentry Investments Inc., Sentry Select Capital Corp and Sean Driscoll	26,430,382	16.0% ¹
Sprott Asset Management LP	21,777,733	13.1% ²
Baker Steel Capital Managers LLP	17,393,457	10.5% ³
Hamilton Place Associates LLC	16,403,486	10.0%
James W Stuckert	8,820,850	5.3% ⁴

Notes:

1. The public records submitted by this party states a percentage holding of 16.1%, which the Company considers to be incorrect based on its calculations.
2. The public records submitted by this party states a holding of 16,362,558 (9.9%), which the Company considers to be incorrect.
3. The public records submitted by this party states a percentage holding of 10.6%, which the Company considers to be incorrect based on its calculations.
4. The public records submitted by this party states a percentage holding of 10.2%, which the Company considers to be incorrect based on its calculations.

On Settlement of the DOCA and completion of the Offers (assuming full subscription under the Offers, and no other Securities are issued other than pursuant to this Prospectus), the above substantial holders will be diluted and there will be no substantial holders of the Company, other than the Proponent, who will have an interest in 70,000,000 Shares and 100,000,000 Options pursuant to the terms of the Proponent Offer, which represents a percentage interest of 9.3%.

Director, Gary Steinepreis, has an interest in the Proponent. Please refer to Section 11.2 for further information.

7.7 Top 20 Securityholders

The Company will announce to the ASX details of its top 20 Shareholders following completion of the Offers and prior to its Shares re-commencing trading on ASX.

7.8 Restricted Securities

Subject to completing the Offers, it is not anticipated that any Securities will be classified by ASX as restricted securities or be required to be held in escrow for a period of time following the date of Official Quotation.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow (if any) prior to the Securities commencing trading on ASX.

8. COMPANY AND PROJECT OVERVIEW

8.1 The Company

The Company was incorporated on 23 February 1970 and was subsequently listed on the ASX on 28 July 1971. The Company is currently listed on ASX under the ASX code "LSA", though its Shares are currently suspended from trading.

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

The Company is already admitted to the Official List of ASX, however, trading in the Company's Shares was suspended on 13 February 2015. At this time the Board resolved to place the Company into voluntary administration and appointed Messrs Matthew Woods and Hayden White of KPMG as joint and several voluntary administrators of the Company. Following appointment of the administrators, the powers of the Company's officers (including Directors) were suspended and the administrators assumed control of the Company's business, property and affairs.

On 7 August 2015, at a second meeting of creditors of the Company, the creditors of the Company resolved to execute the DOCA recommended by the administrators of the Company. The Company, the Proponent and the administrators executed the DOCA on 28 August 2015, which embodied the Recapitalisation Proposal set out in Section 8.2. The Recapitalisation Proposal has been extended due to delays in the completion of the outstanding audited financial reports. Under the terms of the DOCA, the administrators were appointed as deed administrators of the DOCA (**Deed Administrators**) and trustees of the trust (**Trustees**) created for the benefit of the creditors' claims (**Creditors' Trust**).

Pursuant to ASX policy contained in ASX Guidance Note 33, an entity that has been in continuous suspension for more than 3 years will be automatically removed from the Official List on the third anniversary of its suspension date if it is still suspended.

The Company has now been in continuous suspension for a period of more than 3 years (having been initially suspended on 13 February 2015 when it was placed into voluntary administration) and, as noted in Section 3.9, ASX has granted a short extension of time until 19 March 2018 in order for the Company to demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its Shares within a reasonable period. If the Company is able to do this, it will be able to request a further short extension from ASX to the automatic removal deadline. ASX has indicated that if the Company lodges a prospectus and obtains Shareholder approval in respect of the Recapitalisation by no later than 19 March 2018, it will grant a 3 month extension to the automatic removal date up to 19 June 2018 (however it is noted that the decision as to whether or not to grant such extension is at the sole discretion of ASX).

8.2 Recapitalisation Proposal

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

- (a) The Company will retain its interest in the Princhester Magnesite Project and Bushranger Copper Project (including the shares in the Company's

wholly owned subsidiary Ord Investments Pty Ltd, any security assets required to be on the Princhester joint venture or in relation to the assets of Ord Investments and all financial books and records of the Company) (**Retained Assets**), with all other assets to be transferred to the Creditors' Trust.

- (b) The Company will consolidate its existing Securities on a one (1) for five (5) basis, with fractional entitlements rounded up.
- (c) The Company will proceed with the following issues of securities (on a post-Consolidation basis):
 - (i) up to 20,000,000 Creditors' Trust Shares to the trustee of the Creditors' Trust for the benefit of the creditors' claims;
 - (ii) up to 70,000,000 Proponent Shares to the Proponent (or its nominee/s) at an issue price of \$0.0025 per Share to raise up to \$175,000;
 - (iii) up to 330,786,520 Shares pursuant to a pro rata entitlement issue on the basis of ten (10) Shares for every one (1) Share held by eligible Shareholders at an issue price of \$0.005 per Share to raise up to approximately \$1,653,933; and
 - (iv) up to 100,000,000 unquoted Proponent Options to the Proponent (or its nominee/s) exercisable at \$0.005 each on or before 31 December 2021.
- (d) The DOCA is subject to the satisfaction (or waiver by the Proponent) of the DOCA Conditions on or before 31 March 2018, or such date as mutually agreed. The DOCA Conditions are set out in Section 8.3.
- (e) On execution of the DOCA, the Proponent made a cash advance to the Deed Administrators of \$50,000 to establish the Recapitalisation Expenses Fund for the purpose of paying external costs in implementing the Recapitalisation Proposal. These funds have been expended.
- (f) The Creditors' Payment of \$675,000 in cash to the Creditors' Trust for the purposes of satisfying the costs of the DOCA administration and Creditor claims. The balance of the funds raised under paragraph (c) above will be used for costs, developing the Company's Retained Assets, review of new business opportunities, for working capital, as outlined further in Section 7.2.
- (g) The Company will pay the Proponent any further amounts which may be lent by the Proponent to the Deed Administrators to facilitate the Recapitalisation Proposal, including the Recapitalisation Expenses Fund and the Creditor Payment.
- (h) The claims of Creditors will be compromised pursuant to the DOCA and the Company will thereafter be debt free.
- (i) Settlement will occur on the date that is 3 business days after the satisfaction (or waiver) of the last of the Conditions (**Settlement**). At Settlement:
 - (i) the Creditor Payment will be made to the Deed Administrators;

- (ii) the Deed Administrators will create the Creditors' Trust and transfer any other assets or property of the Company, other than the Retained Assets, to the Trustees of the Creditors' Trust;
 - (iii) the DOCA will be wholly effectuated; and
 - (iv) the Deed Administrators will resign and lodge a Form 5056 online at ASIC.
- (j) On successful reinstatement to the official list of ASX, the Company will pay:
- (i) the Proponent a Recapitalisation fee of \$50,000; and
 - (ii) a further \$50,000 Recapitalisation fee will be reserved for payment to other parties who have provided assistance in the Recapitalisation process, including the parties associated with the Proponent,

(Recapitalisation Fee). Given the Proponent (and its sole director, Gary Steinepreis, who is also a Director of the Company) has been the only party providing assistance in the Recapitalisation process, the Recapitalisation Fee, totalling \$100,000, will be payable to the Proponent only. However, in the event the Minimum Amount is raised under the Capital Raising, the Proponent has agreed to reduce the total Recapitalisation Fee payable to it from \$100,000 to approximately \$50,000 (and if less than the Full Amount is raised, but more than the Minimum Amount is raised under the Capital Raising, the Recapitalisation Fee will be increased subject to payment of other Capital Raising costs).

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

In the event that the Company does not receive conditional approval for reinstatement, the Company will not proceed with the Offers and will repay all application monies received by it in connection with this Prospectus (without interest).

8.3 DOCA Conditions and status

The DOCA is subject to the DOCA Conditions set out in the table below, which also sets out the status of each DOCA Condition:

Condition	Status
ASX providing necessary waivers to the Company pursuant to the ASX Listing Rules for the issue of Shares under the Offers.	This Condition has been satisfied. Refer to Section 3.10.
ASX providing a letter setting out the conditions upon which it will agree to reinstate the Company's Shares to Official Quotation (including that the Company will not be required to comply with Chapters 1 and 2 of the	This Condition has been satisfied. Refer to Section 8.3, which sets out further information in relation to the ASX Reinstatement Conditions.

Condition	Status
Listing Rules) and the Proponent determining (acting reasonably) that the Company will be able to satisfy these conditions.	As at the date of this Prospectus the Proponent is of the view that the Company will be able to satisfy these conditions.
The Proponent being satisfied, acting reasonably, that the Retained Assets are sufficient to enable the Company to be reinstated to trading on the ASX.	This Condition has been satisfied.
The Company raising a total of \$1,828,933 through the issue of Shares under the Entitlement Offer and the Proponent Offer, or such other amount as may be necessary to allow for the Condition above to be satisfied.	This Condition is expected, subject to Shareholder approval being obtained at the 2017 AGM, to be satisfied following completion of the Entitlement Offer and the Proponent Offer (assuming the Entitlement Offer is fully subscribed, or any Shortfall is able to be placed).
Shareholder approval being obtained in respect of the Consolidation, the Proponent Offer, the Creditors' Trust Offer and the Placement.	The Company's 2017 AGM is scheduled to occur on 19 March 2018 when Shareholder approval of the Recapitalisation Resolutions (including these matters) will be sought.
A holder of a security interest (defined with reference to the Personal Property Security Act 2009 (Cth) (PPSA)) over the assets of the Company, including, in particular, the Retained Assets, agreeing or being compelled to release its security interest on or before the termination of the DOCA, and any claim against the Company in relation to the security interest.	As at the date of this Prospectus there are two security interests registered in respect of the Company on the Personal Property Securities Register maintained under the PPSA. The Company is currently seeking removal of these registrations and the associated security interests, which are expected to be released, and this Condition satisfied, prior to Settlement.

8.4 ASX Reinstatement Conditions

On 18 May 2016 ASX issued a letter to the Company confirming the conditions that would be required in order for the Company's Shares to be reinstated to trading (**ASX Conditional Approval Letter**). Those conditions included the following:

- (a) confirmation that all the DOCA Conditions have occurred (and not been waived), and that the DOCA has been fully effectuated and the Company is not subject to any other forms of external administration, receivership or liquidation;
- (b) Shareholders approving all the Recapitalisation Resolutions;
- (c) confirmation of completion of the Consolidation;
- (d) confirmation that the Company has released a prospectus containing an entitlements offer to the Company's Shareholders and that such offer has closed having satisfied its minimum subscription requirement;
- (e) confirmation that the Company retains its interest in the Bushranger Copper Project in New South Wales and the Princhester Magnesite Project

in Queensland and the tenements (Bushranger: Exploration Lease EL5574; Princhester Mining Leases ML5831 and 5832) comprising the Bushranger Copper Project and the Princhester Magnesite Project are in good-standing;

- (f) confirmation that the Company's secured creditors have released and discharged any security granted to them by the Company and there are no outstanding security interests over the Tenements and that the Company's secured creditors have no further interest in the Tenements and the other tenements in which the Company has an interest including no rights of repossession or the right to exercise its power of sale;
- (g) The Company demonstrating compliance with Listing Rules 12.1 to 12.4 inclusive, to the satisfaction of the ASX, as set out below:
 - (i) the Company's business intention satisfies the requirements of Listing Rule 12.1;
 - (ii) confirmation of completion of the Company's Capital Raising as detailed in the Recapitalisation Proposal and that, after payment of the costs of the Capital Raising (if any) and payments to the Deed Administrators and any other parties or entities to satisfy obligations under the DOCA, the Company can demonstrate to ASX that it will have a minimum of \$1,000,000 in cash, net of all liabilities, at the date of reinstatement, to satisfy Listing Rule 12.2;
 - (iii) the Company's level of Shareholder spread will satisfy the requirements of Listing Rule 12.4, with there being at least 300 holders each holding at least \$500 worth of fully paid ordinary shares;
- (h) lodgement of all outstanding Appendices 3B with ASX for issues of new securities;
- (i) reinstatement of the Company's CHES sub-register;
- (j) lodgement of any outstanding reports (other than quarterly reports) for the period since the Company's securities were suspended and any other outstanding documents required by Listing Rule 17.5.
- (k) confirmation the Securities to be issued following the 2017 AGM have been issued, and despatch of each of the following has occurred.
 - (i) in relation to all holdings on the CHES subregister, a notice from the Company under ASX Settlement Operating Rule 8.9.1;
 - (ii) in relation to all other holdings, issuer sponsored holding statements; and
 - (iii) any refund money;
- (l) provision of the following documents, in a form suitable for release to the market.
 - (i) a statement setting out the names of the 20 largest holders of each class of Securities to be quoted, including the number and percentage of each class of securities held by those holders;

- (ii) a distribution schedule of the numbers of holders in each class of Security to be quoted, setting out the number of holders in the following categories:
 - 1 - 1,000;
 - 1,001 - 5,000;
 - 5,001 - 10,000;
 - 10,001 - 100,000; and
 - 100,001 and over;
 - (iii) a statement outlining the Company's capital structure following the Meeting on a post-issue and post-Consolidation basis;
 - (iv) the Company's reviewed balance sheet based on actual funds raised;
 - (v) the Company's updated statement of commitments based on actual funds raised;
 - (vi) a consolidated activities report setting out the proposed business strategy for the Company (including an update on the status of the Company's assets and the current activities with respect thereto);
 - (vii) full terms and conditions of all options on issue (if any);
 - (viii) full terms and conditions of any employee incentive schemes (if any);
 - (ix) a statement disclosing the extent to which the Company will follow, as at the date its securities are reinstated, the recommendations set by the ASX Corporate Governance Council. If the Company does not intend to follow all of the recommendations on its reinstatement, the Company must identify those recommendations that will not be followed and give its reasons for not following them;
 - (x) a copy of the Company's securities trading policy as required by Listing Rule 12.9; and
 - (xi) a statement confirming the Company is in compliance with the Listing Rules and in particular Listing Rule 3.1;
- (m) confirmation of the responsible person for the purposes of Listing Rule 1.1 condition 12;
- (n) payment of any other fees applicable and outstanding. The Company's outstanding fees will be advised in due course; and
- (o) provision of any other information required or requested by ASX,
- (together, the **ASX Reinstatement Conditions**).

The ASX Conditional Approval Letter provided that the Company had until 13 February 2018 to comply with the ASX Reinstatement Conditions and have its Shares reinstated to Official Quotation. As noted in Section 3.9, ASX has granted a short extension of time in order that the Company may demonstrate to ASX's satisfaction that it is in the final stages of implementation a transaction which will lead to the resumption of its Shares to trading on ASX within a reasonable time. If the Company is able to do this, it will be in a position to seek a further short extension of the automatic removal deadline for long-term suspended entities from ASX to complete the Recapitalisation Proposal. ASX has indicated that if the Company lodges a prospectus and obtains Shareholder approval by no later than 19 March 2018, it will grant a 3 month extension of the automatic removal date, up to 19 June 2018. The Company will keep investors informed in respect of any such extension granted, whilst noting ASX may elect to grant such extension at its absolute discretion.

8.5 The Retained Assets

The Company's current activities involve resource exploration. On completion of the Recapitalisation Proposal, the Company will continue to hold an interest in the Retained Assets, being the Princhester Magnesite Project and Bushranger Copper Project (**Projects**).

Details of the Tenements which the Company holds or continues to have an interest in are set out in the table below, with further information relation to each Project set out in Sections 8.6 and 8.7.

QUEENSLAND TENEMENTS

TENEMENT	STATUS	REGISTERED HOLDER	SHARES HELD	GRANT DATE / COMMENCEMENT DATE	EXPIRY DATE	AREA SIZE	RATE/UNIT AREA	ENCUMBRANCES/ DEALINGS	EXCLUSIONS	NATIVE TITLE CLAIMS / DETERMINATIONS / ILUAs	NOTES
ML5831 ¹	Granted	Lachlan Star Limited	100	Granted: 26/02/1981	28/02/2023	14.400 0 HA	\$60.20 (Area Units: 15)	None registered	N/A	Pre-1996 Grant (unknown outcome)	
ML5832 ²	Granted	Lachlan Star Limited	100	Granted: 26/02/1981 Commenced: 01/03/1981	Expiry Date: 28/02/2023	34.090 0 HA	\$60.20 (Area Units: 35)	None registered	N/A	Pre-1996 Grant (unknown outcome)	

Notes:

1. Previous permit number: ML 1033ROCK
2. Previous permit number: ML 1034ROCK

NEW SOUTH WALES TENEMENT

TENEMENT	STATUS	REGISTERED HOLDER	SHARES HELD	GRANT DATE / COMMENCEMENT DATE	EXPIRY DATE	AREA SIZE	ENCUMBRANCES/ DEALINGS	EXPENDITURE	EXCLUSIONS	NATIVE TITLE CLAIMS / DETERMINATIONS / ILUAs
EL5574	Current	Main Holder: Anglo American Exploration (Australia) Pty Ltd Other Holders: Ord Investments Pty Ltd (the Company's wholly owned subsidiary) ¹	100	Granted: 04/06/1999	28/02/2023	23 Units	Security of \$30,000 currently held Registered Agreement ² Registered Agreement ³	\$53,000	N/A	N/A

Notes:

1. Ord Investments Pty Ltd, a wholly owned subsidiary of the Company, was diluted pursuant to the terms of an Exploration Farmin and Joint Venture agreement dated on or around 30 September 2011. Pursuant to that agreement, Ord Investments no longer holds a participating interest in the joint venture, but retains a 2% net smelter royalty. Refer to Section 8.7 for further information.
2. [Dealing 25] dated 30 September 2013 between Anglo American Exploration (Australia) Pty Ltd and Newmont Exploration Pty Ltd.
3. [Dealing 33] dated 10 January 2014 between Anglo American Exploration (Australia) Pty Ltd, Newmont Exploration Pty Ltd and Ord Investments Pty Ltd.

8.6 Princhester Magnesite Project, Queensland

The Princhester Magnesite Project is located 85km north west of Rockhampton, Queensland and comprises two granted Mining Leases (**ML**), ML5831 and ML5832. The ML's are close to the Bruce Highway and are within 2 kilometres of the main north coast railway line.

Geological Setting

The Princhester Magnesite Project is located in the northern New England Orogen, and within the Marlborough Province.

The New England Orogen is a significant mineral province in eastern Australia, extending from Port Macquarie, New South Wales, in the south to north of Mackay, Queensland. The New England Orogen mineralisation includes significant gold mineralisation (Mount Morgan, Gympie) and various mineral deposit styles including mesothermal and epithermal gold, VMS, epithermal silver and lateritic nickel. The New England Orogen also contains economically important commodities including tin, sapphires, diamonds, molybdenum, tungsten, magnesite, cobalt and antimony.

The Marlborough province is bounded to the west by the major Yarrol Fault System, which is marked by serpentinite lenses. In the Marlborough area, these ultramafic rocks form an extensive flat-lying thrust sheet of early Paleozoic ocean floor and upper mantle (harzburgite) material. The terrain within the Princhester Magnesite Project consists of steeply dissected ridges where the serpentinite and associated rocks are deeply weathered and overlain in part by laterite. The harzburgite and serpentinite bodies are elongate north west – south east striking and are concordant with the strike of the enclosing rocks. The harzburgites have mostly been serpentinitised and these, as well as the separately emplaced serpentinites have largely been weathered. The magnesite mineralisation is a mixture of magnesite, quartz and magnesia silicates which are associated with serpentinite.

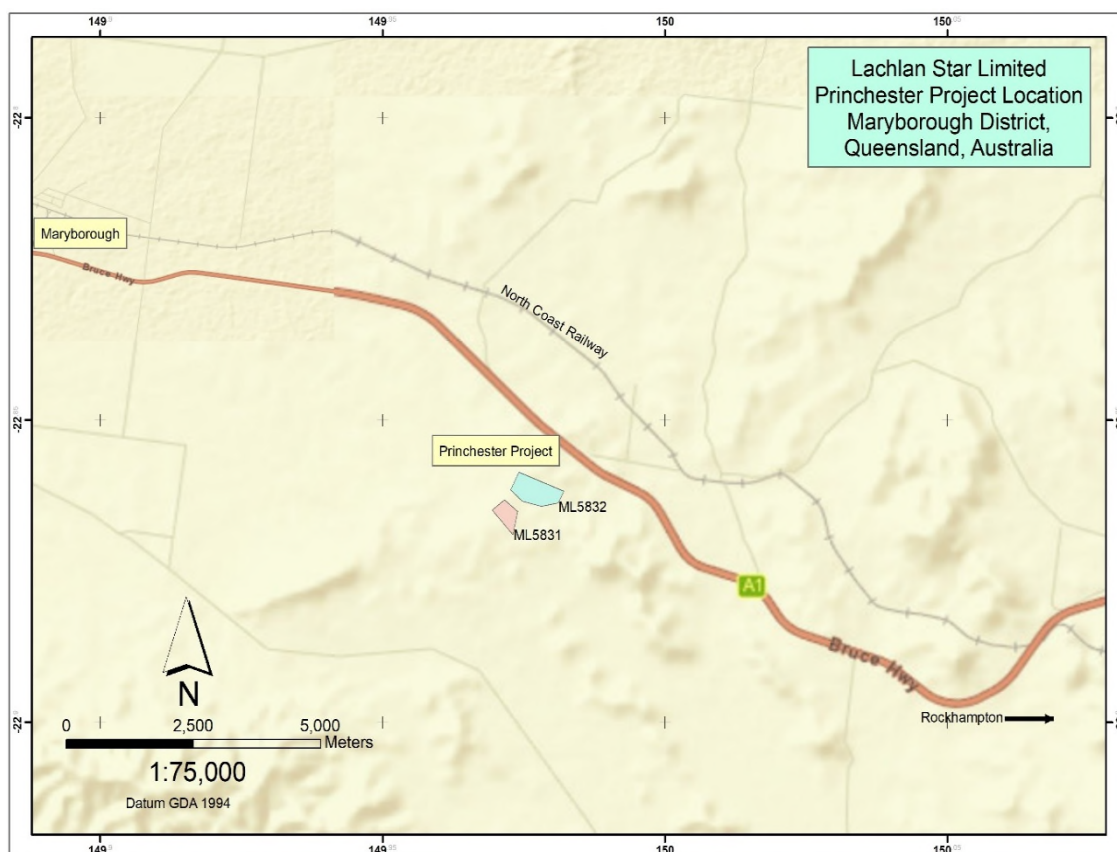
Magnesite

Magnesite ($MgCO_3$) is an ore for magnesium production and the source of a range of industrial minerals.

There are two main uses for magnesite. The first is as feedstock in the production of dead-burned magnesia and for refractory brick use in lining furnaces in the steel industry and non-ferrous metal processing units and cement kilns. The second use is for processing to caustic calcined magnesia which is used principally as a food supplement in agribusiness and in fertilisers as well for fillers in paints, paper and plastics. Raw magnesite is used for surface coatings, landscaping, ceramics and as a fire retardant.

Project location





8.6.1 Exploration History

The Princhester Magnesite Project originally consisted of 13 MLs transferred from local prospectors to an exploration company in 1980. In 1986 another company acquired the MLs holding them up until 2005 when the transfer to the Company was completed.

It is noted that limited contract mining was carried out at Princhester for a royalty return during the 1980s and 1990s with an unknown quantity of material removed. The product was used in its crude raw state for agricultural purposes including sugar farming.

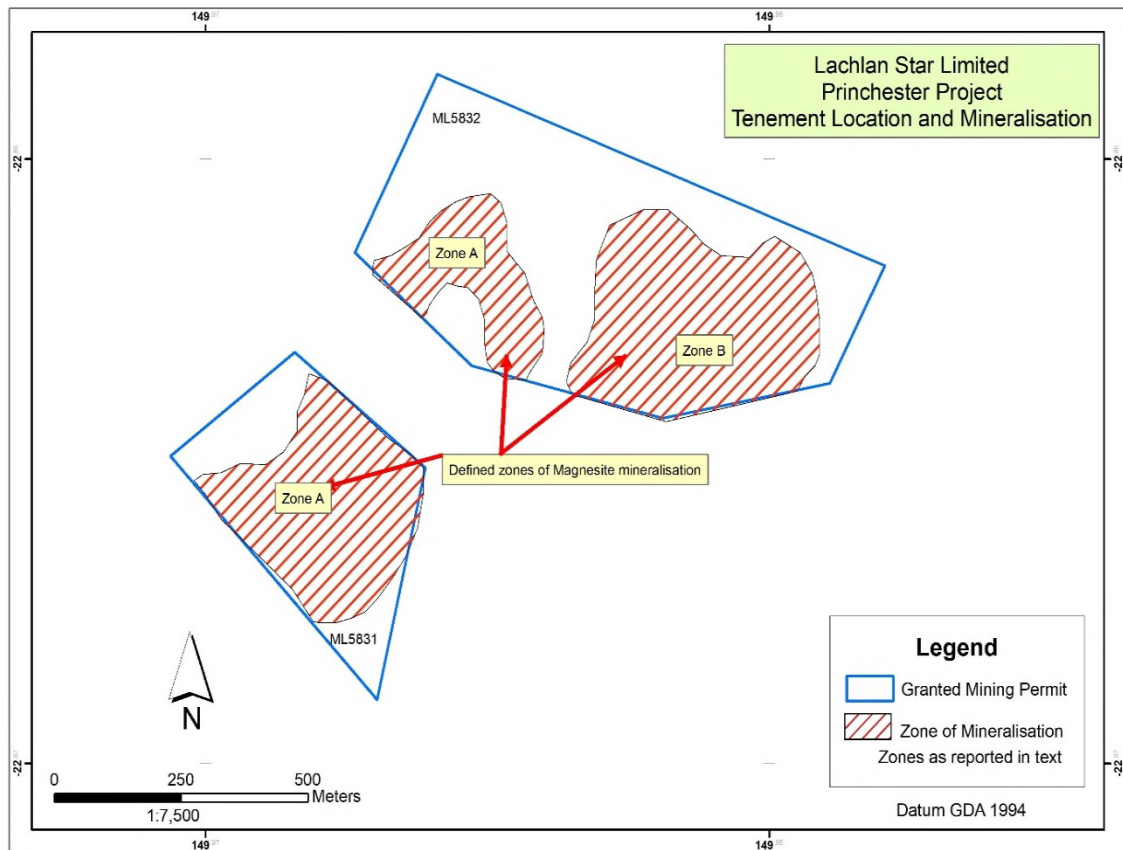
Detailed exploration programmes were conducted in 1984 and 1989 by their respective owners. Only sporadic exploration work was conducted prior to 1984 which has not been included in this Prospectus. Since the Company acquired the MLs, limited exploration work has been conducted on the MLs while the Company focussed on previously owned mining assets.

Conceptual exploration target:

Based on the level of exploration work previously undertaken in respect of the MLs, and the size and mineralised nature of the Princhester Magnesite Project, the Company has generated an exploration target tonnage of between **4.13Mt and 5.44Mt of magnesite** at grade between **46% to 47% MgO**.

Cautionary Statement: The potential quantity and grade as stated, is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The Exploration Target is based on completed exploration drilling and a review of previous attempts to estimate mineralisation. The information relating to estimates of MgO grade are based on historic sample data from drill holes and check samples completed by previous explorers. The grade range is based on a

simple arithmetic mean of samples. The tonnage estimate is based on completed exploration drilling and attempts at a coarse block modelling with 100m square blocks defined with drill holes located in each corner. The volume of each block is based on the arithmetic mean of the thickness of magnesite intersections in each drill hole, and a tonnage estimated using an assumed SG of 2.2 for magnesite. The Exploration target provides a range of tonnage that reflects the level of exploration drilling and the broad scale attempt to quantify potential mineralisation, and the grade range reflects the sampling.



A short summary of the 1984 and 1989 exploration programmes is detailed below:

1984 Exploration Programme

- (a) 91 hole air track drilling programme completed (1,030m in total).
- (b) Holes drilled on a 20m grid over a selected area of shallow mineralisation.
- (c) Four excavations (pits and slots) into magnesite mineralisation in an attempt to correlate mineralisation with drill intersections. No correlation indicated which is common for magnesite mineralisation where discontinuity is common.

1989 Exploration Programme

- (a) 95 vertical drill holes at 100m centres across the entire mineralised area.
- (b) Standard sampling procedures were employed with representative samples assayed.
- (c) Four areas of consistent magnesite lode were delineated.

Over time, 11 of the MLs comprising the original Princhester Magnesite Project were steadily surrendered as a function of tenure rationalization with retention of the two MLs containing the known magnesite mineralisation.

1999 Company Review

In 1999 the Princhester Magnesite project was transferred to the Company (although the transfer of title was not completed until 2005), at which time the Company undertook a major review of the historic exploration in the project area, including an early attempt at resource estimation.

2002 Mt Grace Review

In 2002, Mt Grace Resources NL (**MGR**) were granted exploration permit (**EPM**) 13475 which incorporated the Princhester Magnesite Project. The objective of EPM 13475 was to exploit the large exploration potential of Princhester Magnesite mineralisation extending off the existing MLs, at the same time MGR was negotiating with the Company for the purchase of the Princhester Magnesite Project MLs.

8.6.2 Feedstock/Metallurgical Testing

In 1995 material from the Princhester Magnesite Project was tested to assess its suitability as a raw magnesite feedstock for the magnesium metal plant operated by Norsk Hydro at Beccancour, Quebec. The results were considered unsatisfactory due to elevated nickel values.

As part of the 2002 detailed review by MGR a composite sample from the Princhester Magnesite project was collected for metallurgical testing at Mintek, South Africa. The testwork included determination of calcining characteristics of the magnesite as well as conversion to magnesia vapour in a furnace. The results were positive and confirmed the magnesite's suitability to standard metallurgical processing.

8.6.3 Princhester Magnesite – Evaluation of Modern Context

The Princhester magnesite mineralisation can be categorized as a hard rock, cryptocrystalline, low iron magnesite deposit with very low lime content and moderately elevated silica content. It is recognised that there is some heterogeneity within the project with regard to both silica and lime contents and commerciality will be dictated by the size and zonation of these gangue elements.

The Princhester Magnesite Project represents a genuine Exploration Target with a long history of detailed exploration and metallurgical evaluation.

Due to the extensive work undertaken to date, the Princhester Magnesite Project represents an opportunity to apply modern analytical techniques to a known deposit. Pursuant to a detailed assessment of Princhester it may be determined that development options be considered.

Princhester is in a good location being on the Bruce Highway and in close proximity to Gladstone and Rockhampton.

8.6.4 Proposed Work Scope

The following work scope over the next 24 months is proposed in order to best evaluate the potential of the Princhester Magnesite Project and test the viability of the Exploration Target.

- (a) Detailed review of all exploration conducted to date.
- (b) Detailed review of metallurgical testwork conducted to date.
- (c) Pursuant to a positive conclusion on the bullet points above, digitisation of all data associated with the project, particularly focused on building the drilling and assay database should be undertaken. Once complete the database can be interrogated to formulate advanced resource estimations in Micromine/Surpac or similar.
- (d) Ground truthing, including rock characterization (including assays), establishment of previous survey grids and ML boundaries and referencing of potential drill holes trenches/pits should also be undertaken concurrent with the above.
- (e) Upon completion of the scope outlined above, plans for further work to develop the project will be formulated (if warranted).

Competent Person's statement:

The information in this Section that relates to exploration results is based on information compiled by Mr Bernard Aylward. Mr Aylward is a Non-Executive Director of the Company. Mr Aylward is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Aylward consents to the inclusion in the announcement of matters based on his information in the form and context it appears.

8.7 Bushranger Copper Project, New South Wales

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

The initial interests of the participants in the joint venture, subsequent to the Deed of Novation, were:

- (a) Anglo American: 51%; and
- (b) Ord Investments Pty Ltd: 49%.

The Company has since elected not to contribute to exploration expenditure on this Project and its interest in this Project has been diluted according to the terms of the FJVA.

On 2 December 2015, Ord Investments was notified by Anglo American that, due to its failure to contribute, Anglo American had elected, in accordance with the terms of the FJVA, to dilute Ord Investment's participating interest in the Project. The dilution has taken Ord Investments' participating to below the deemed withdrawal threshold contained in the FJVA (being a 10% participating interest). Accordingly, the Company's interest has now been converted into a 2% Net Smelter Royalty (**Royalty**).

The key terms of this Royalty are summarised in Section 13.2.

Given the early stages of exploration that has been undertaken in respect of the Bushranger Copper Project, the Company does not expect the Royalty to generate any income for the Company until such time as this Project is brought into production stage, which is unlikely to occur in the short term.

8.8 Business Model

The Company has proposed an exploration program and budget to advance the Princhester Magnesite Project following completion of the Offers and reinstatement to trading of Shares on ASX, which is summarised in Sections 7.2 and 8.6.4 above and will continue to retain its Royalty interest in the Bushranger Copper Project.

Subject to completion of the Offers, the Company will have sufficient working capital to carry out its operations going forward and will seek out complementary acquisitions that will generate Shareholder value.

At this stage, the Directors have not identified nor given any consideration to any other complementary opportunities but reserve the right to direct any capital raised under this Prospectus to pursue that objective and strategy. Refer to Section 7.2 for further information relating to the proposed use of funds raised under this Prospectus.

The future funding requirements of the Company will therefore be dependent on its success in exploiting the Retained Assets and also the costs of acquiring any additional projects as and when identified (which is likely to require additional funding in the form of debt, equity or a combination of both), and Shareholders and investors must take this risk into account when determining whether to invest pursuant to this Prospectus.

8.9 Financial Information

Following completion of the Recapitalisation Proposal, the Company will be focused on developing the Princhester Magnesite Project, as well as continuing to monitor new opportunities to acquire further projects. Therefore, the Company's past operations and financial historical performance will not be of significant relevance to its future activities.

Prior to and including the date of this Prospectus, the Company has been in external administration and therefore has reduced operations in respect of its mineral exploration business with the exception of maintaining its interest in the Princhester Magnesite Project and Bushranger Copper Project. The Directors consider that it is not possible to accurately predict the future revenues or profitability of the Company or whether any material revenues or profitability will eventuate.

As a result, the Company is not in a position to disclose any key financial ratios or financial information other than the proforma financial statements included in Section 9.

The initial funding for the Company's future activities will be generated from the Entitlement Offer, the Proponent Offer and the Placement Offer made pursuant to this Prospectus. The Company will need to raise further capital in the future to continue to develop the Project or any other projects acquired by the Company in the future, and such amounts may be raised by further equity raisings, or the Company may consider other forms of debt or quasi-debt funding if required.

Please refer to Section 9 for further financial information relating to the Company and the effect of the Offers.

8.10 Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.11 Dividend Policy

It is anticipated that, following Settlement of the DOCA, the Company will focus on development of the Projects. This will likely require significant funding. Accordingly, the Company does not expect to declare any dividends during this period or in the short to medium term.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Board and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

8.12 Directors and Key Personnel

The Company currently has the following Directors on its Board:

- (a) Gary Steinepreis;
- (b) Bernard Aylward; and
- (c) Daniel Smith.

Summaries of the background and experience of each of the Directors are set out Section 11.1.

The relevant interests of each of the Directors in the Securities of the Company are set out in Section 11.2.

8.13 Agreements with Directors or related parties

As at the date of this Prospectus, the Company has not entered into any agreements with any Directors of their controlled entities.

9. FINANCIAL INFORMATION

9.1 Financial information

The financial information contained in this Prospectus consists of the following unaudited proforma financial information for the Company, comprising:

- (a) unaudited proforma balance sheet for the period ended 31 December 2017 (based on the Full Amount);
- (b) unaudited proforma statement of profit or loss and other comprehensive income for the period ended 31 December 2017 (based on the Full Amount);
- (c) unaudited proforma statement of cashflows for the period ended 31 December 2017 (based on the Full Amount);
- (d) unaudited proforma balance sheet for the period ended 31 December 2017 (based on the Minimum Amount);
- (e) unaudited proforma statement of profit or loss and other comprehensive income for the period ended 31 December 2017 (based on the Minimum Amount); and
- (f) unaudited proforma statement of cashflows for the period ended 31 December 2017 (based on the Minimum Amount),

(Proforma Financial Information).

The Proforma Financial Information presented in this Section 9 has been prepared by the Company in connection with the Offers and should be read in conjunction with the risk factors applicable to the Company set out in Section 10 and other information contained in this Prospectus.

9.2 Basis of preparation of Proforma Financial Information

The Proforma Financial Information in this Prospectus has been prepared using two scenarios, being the Minimum Amount being raised under the Capital Raising and the Full Amount being raised under the Capital Raising.

The Proforma Financial Information has been prepared solely for inclusion in this Prospectus.

9.3 Administration, Recapitalisation Proposal and DOCA

On 18 May 2016 the ASX provided in principle approval for the Company's securities to be reinstated to official quotation subject to the satisfaction of the ASX Reinstatement Conditions outlined in Section 8.4, which are considered standard conditions for recapitalisations of this nature.

As noted in Section 3.9, ASX has granted a short extension of time in order for the Company to demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its Shares within a reasonable period (at which stage the Company will be able to request a further 3 month extension from ASX to the automatic removal deadline to allow further time to comply with the ASX Reinstatement Conditions, which extension of time may or may not be granted at the absolute discretion of ASX.

The above represents a key milestone in the recapitalisation of the Company pursuant to the DOCA.

The Proponent of the DOCA, Ascent Capital Holdings Pty Ltd, is now working with the Deed Administrators to satisfy the ASX Reinstatement Conditions, including, but not limited to, seeking Shareholder approval of the Company's Recapitalisation Proposal and the issue of this Prospectus to raise the funds required to fund the recapitalisation of the Company.

The DOCA outlines a number of DOCA Conditions which must be satisfied, as outlined in further details in Section 8.3. Upon satisfaction of these DOCA Conditions, the Deed Administrators will form a Creditors' Trust and become its Trustees.

As noted in Section 3.11, ASIC has extended the period within which the Company must hold its AGM to 19 March 2018.

It is noted that, in accordance with ASX Reinstatement Conditions, the Company must have a minimum of \$1,000,000 in cash net of all liabilities in order for its Shares to be reinstated to trading on ASX.

9.4 Going Concern

As a result of the matters outlined above, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, the Directors believe that the Company will, upon completion of the Offers, wholly effectuation of the DOCA and reinstatement of its Shares to Official Quotation, be successfully able to continue as a going concern and, accordingly, have prepared the financial report on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors believe it is appropriate to prepare the Proforma Financial Information on a going concern basis because upon the DOCA Conditions being met and the DOCA being wholly effectuated (which is subject to Shareholder approval of the Recapitalisation Resolutions), all liabilities of the Company will be extinguished. The ability to continue as a going concern is dependent on the DOCA Conditions being satisfied, including being able to raise the funds through the issue of Securities offered under this Prospectus to recapitalise the Company.

The Proforma Financial Information does not contain any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

9.5 Statement of significant accounting policies

The significant accounting policies adopted in the preparation of the Proforma Financial Information above have been set out below.

The Proforma Financial Information is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the Proforma Financial Information. The accounting policies have been consistently applied, unless otherwise stated.

(a) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(b) **Trade and other payables**

Trade and other payables represent the liabilities at the end of the reporting period for goods and services received by the company that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms.

(c) **Issued capital**

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(d) **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(e) **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(f) **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(g) **Intangible assets**

Intangible assets acquired, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(h) **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(i) **Critical accounting estimates and judgements**

The preparation of the Proforma financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts in the Proforma Financial Information. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will

seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

9.6 Material assumptions used in preparation of Proforma Financial Information

The following is a list of key assumptions used to prepare the Proforma Financial Information:

- (a) Shareholder approval of all Recapitalisation Resolutions is obtained at the 2017 AGM;
- (b) ASX grants an extension of time for the Company to complete the Recapitalisation Proposal (refer to Section 3.9 for further information);
- (c) all DOCA Conditions set out in Section 8.3 are satisfied, including full subscription under the Entitlement Offer, raising \$1,653,933;
- (d) in respect of Proforma Financial Information based on a Full Amount scenario, full subscription under the Placement;
- (e) all ASX Reinstatement Conditions set out in Section 8.4 are satisfied;
- (f) the DOCA is wholly effectuated; and
- (g) the Company's Shares are reinstated to Official Quotation.

9.7 Movement between 30 June 2017 financial information and 31 December 2017 unaudited management accounts

The below table shows the movement in the balance sheet which represents the continued expenses and general costs of the management of the entity whilst under the DOCA.

	30-June-17	Movement	Management accounts LSA Unaudited 31-Dec-17
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	15,207	-12,424	2,783
Trade and other receivables	41,584	4,633	46,217
Total current assets	56,791		49,000
LIABILITIES			
Current liabilities			
Trade and other payables	-1,364,871	-58,433	-1,423,304
Total current liabilities	-1,364,871		-1,423,304
NET ASSETS/LIABILITIES	-1,308,080		-1,374,304
EQUITY			
Issued Capital	226,058,062		226,058,062
Accumulated losses	-227,366,142	-66,224	-227,432,366
TOTAL EQUITY	-1,308,080		-1,374,304

FULL AMOUNT PROFORMA BALANCE SHEET – 31 DECEMBER 2017 UNAUDITED

	Management accounts LSA Unaudited 31-Dec-17	DOCA Adjustments	DOCA Settlement	DOCA Shares	DOCA loan repayment and fees	Proponent and Director Options	Entitlement issue	Placement	Total Proforma
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Current assets									
Cash and cash equivalents	2,783	-2,783							-
- Capital Raising				175,000			1,653,933	1,500,000	3,328,933
- DOCA Creditor Payment					-675,000				-675,000
- Repayment of DOCA loan and fees					-250,000				-250,000
- Capital Raising costs							-150,000	-150,000	-300,000
Trade and other receivables	46,217	-46,217							-
Total current assets	49,000	-49,000		175,000	-925,000		1,503,933	1,350,000	2,103,933
Total assets	49,000	-49,000		175,000	-925,000		1,503,933	1,350,000	2,103,933
LIABILITIES									
Current liabilities									
Trade and other payables	-1,423,304	1,423,304	-675,000		675,000				-
Total current liabilities	-1,423,304	1,423,304	-675,000		675,000				-
NET ASSETS/LIABILITIES	-1,374,304	1,374,304	-675,000	175,000	-250,000		1,503,933	1,350,000	2,103,933
EQUITY									
Issued Capital	226,058,062								226,058,062
- Capital Raising				175,000			1,653,933	1,500,000	3,328,933
- Creditors' Trust Shares				100,000					100,000
- Capital Raising costs							-150,000	-150,000	-300,000
Option premium reserve						135,979			135,979
Accumulated losses	-227,432,366	1,374,304	-675,000	-100,000	-250,000	-135,979			-227,219,041
TOTAL EQUITY	-1,374,304	1,374,304	-675,000	175,000	-250,000		1,503,933	1,350,000	2,103,933

FULL AMOUNT PROFORMA STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – 31 DECEMBER 2017 UNAUDITED

	Management accounts LSA Unaudited 31-Dec-17 \$	DOCA Adjustments \$	DOCA Settlement \$	DOCA Shares \$	DOCA loan repayment and fees \$	Proponent and Director Options \$	Total Proforma \$
Expenses							
Corporate compliance and management	-22,426						-22,426
Administrator's fees and expenses	-37,417						-37,417
Other expenses	-6,282						-6,282
Finance expense	-99						-99
DOCA adjustments:							
Debt defeasance – Creditors		1,374,304					1,374,304
DOCA Creditor Payment			-675,000				-675,000
DOCA Settlement - Shares				-100,000			-100,000
DOCA loan repayment and fees					-250,000		-250,000
Option premium reserve						-135,979	-135,979
Income tax expense	-	-	-	-	-	-	-
Loss for the period	-66,224	1,374,304	-675,000	-100,000	-250,000	-135,979	147,101
Accumulated losses brought forward	-227,366,142	-	-	-	-	-	-227,366,142
Accumulated losses	-227,432,366	1,374,304	-675,000	1005,000	-250,000	-135,979	-227,219,041

FULL AMOUNT PROFORMA STATEMENT OF CASHFLOWS – 31 DECEMBER 2017 UNAUDITED

	Management accounts LSA Unaudited 31-Dec-17 \$	DOCA Shares \$	DOCA loan repayment and fees \$	Entitlement issue \$	Placement \$	Total Proforma \$
Cash flows from operating activities						
Receipts from customers and GST recovered	-					-
Payments to suppliers and employees	-57,722		-2,783			-60,505
Finance expense	-99					-99
Net cash (used in) operating activities	<u>-57,821</u>					<u>-60,604</u>
Cash flows from financing activities						
DOCA Creditors' Payment			-675,000			-675,000
Funding / repayment of DOCA loan and fees	45,397		-250,000			-204,603
Net cash inflows from financing activities	<u>45,397</u>					<u>-879,603</u>
Cash flows from investing activities						
Capital Raising	-	175,000		1,653,933	1,500,000	3,328,933
Capital Raising costs	-			-150,000	-150,000	-300,000
Net cash inflows from investing	<u>-</u>					<u>3,028,933</u>
Net (decrease) / increase in cash and cash equivalents	-12,424					2,088,726
Cash at the beginning of the period	15,207					15,207
Proforma Cash on hand	<u>2,783</u>					<u>2,103,933</u>

MINIMUM AMOUNT PROFORMA BALANCE SHEET – 31 DECEMBER 2017 UNAUDITED

	Management accounts LSA Unaudited 31-Dec-17	DOCA Adjustments	DOCA Settlement	DOCA Shares	DOCA loan repayment and fees	Proponent and Director Options	Entitlement issue	Total Proforma
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Current assets								
Cash and cash equivalents	2,783	-2,783						-
- Capital Raising				175,000			1,653,933	1,828,933
- DOCA Creditors' Payment					-675,000			-675,000
- Repayment of DOCA loan and fees					-75,000			-75,000
- Capital Raising costs							-75,000	-75,000
Trade and other receivables	46,217	-46,217						-
Total current assets	49,000	-49,000		175,000	-750,000		1,503,933	1,003,933
Total assets	49,000	-49,000		175,000	-750,000		1,503,933	1,003,933
LIABILITIES								
Current liabilities								
Trade and other payables	-1,423,304	1,423,304	-675,000		675,000			-
Total current liabilities	-1,423,304	1,423,304	-675,000		675,000			-
NET ASSETS/LIABILITIES	-1,374,304	1,374,304	-675,000	175,000	-75,000		1,503,933	1,003,933
EQUITY								
Issued Capital	226,058,062							226,058,062
- Capital Raising				175,000			1,653,933	1,828,933
- Creditors' Trust Shares				100,000				100,000
- Capital Raising costs							-75,000	-75,000
Option premium reserve						135,979		135,979
Accumulated losses	-227,432,366	1,374,304	-675,000	-100,000	-75,000	-135,979		-227,044,041
TOTAL EQUITY	-1,374,304	1,374,304	-675,000	175,000	-75,000		1,503,933	1,003,933

MINIMUM AMOUNT PROFORMA STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – 31 DECEMBER 2017 UNAUDITED

	Management accounts LSA Unaudited 31-Dec-17 \$	DOCA Adjustments \$	DOCA Settlement \$	DOCA Shares \$	DOCA loan repayment and fees \$	Proponent and Director Options \$	Total Proforma \$
Expenses							
Corporate compliance and management	-22,426						-22,426
Deed Administrator's fees and expenses	-37,417						-37,417
Other expenses	-6,282						-6,282
Finance expense	-99						-99
DOCA adjustments:							
Debt defeasance – Creditors		1,374,304					1,374,304
DOCA Creditors' Payment			-675,000				-675,000
DOCA Settlement - Shares				-100,000			-100,000
DOCA repayment and fees					-75,000		-75,000
Option premium reserve						-135,979	-135,979
Income tax expense	-	-	-	-	-	-	-
Loss for the period	-66,224	1,374,304	-675,000	-100,000	-75,000	-135,979	322,101
Accumulated losses brought forward	-227,366,142	-	-	-	-	-	-227,366,142
Accumulated losses	-227,432,366	1,374,304	-675,000	-100,000	-75,000	-135,979	-227,044,041

MINIMUM AMOUNT PROFORMA STATEMENT OF CASHFLOWS – 31 DECEMBER 2017 UNAUDITED

	Management accounts LSA Unaudited 31-Dec-17 \$	DOCA Shares \$	DOCA loan repayment and fees \$	Entitlement issue \$	Total Proforma \$
Cash flows from operating activities					
Receipts from customers and GST recovered	-				-
Payments to suppliers and employees	-57,722		-2,783		-60,505
Finance expense	-99				-99
Net cash (used in) operating activities	<u>-57,821</u>				<u>-60,604</u>
Cash flows from financing activities					
DOCA Creditors' Payment			-675,000		-675,000
Funding / repayment of DOCA loan and fees	45,397		-75,000		-29,603
Net cash inflows from financing activities	<u>45,397</u>				<u>-704,603</u>
Cash flows from investing activities					
Capital Raising	-	175,000		1,653,933	1,828,933
Capital Raising costs	-			-75,000	-75,000
Net cash inflows from investing	<u>-</u>				<u>1,753,933</u>
Net (decrease) / increase in cash and cash equivalents	-12,424				988,726
Cash at the beginning of the period	<u>15,207</u>				<u>15,207</u>
Proforma Cash on hand	<u><u>2,783</u></u>				<u><u>1,003,933</u></u>

10. RISK FACTORS

10.1 Introduction

The business, assets and operations of the Company, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Securities of the Company.

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

10.2 Company Risks

(a) ASX extension of time

As noted in Section 3.9, ASX has granted a short extension of time until 19 March 2018 in order for the Company to lodge this Prospectus and obtain Shareholder approval of the Recapitalisation Proposal in order to demonstrate to ASX's satisfaction that it is in the "final stages" of implementing a transaction that will lead to the resumption of trading in its Shares within a reasonable period. The Company will then be in a position to request a further 3 month extension from ASX to the 3-year automatic removal deadline in order to complete the Recapitalisation.

If the Company is unable to meet the conditions required by ASX to request an extension (for example, if Shareholders do not approve the Recapitalisation Proposal), or if ASX does not grant an extension, the Company will be removed from the Official List of ASX at close of business on 19 March 2018, the DOCA will likely be terminated, and the Deed Administrators will, in the absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to creditors that the Company be put into liquidation. In those circumstances, it is unlikely that there will be any return to Shareholders.

(b) Shareholder approval

The issue of Securities under this Prospectus is subject to Shareholder approval of all Recapitalisation Resolutions. If Shareholders do not approve all or approve only some of the Recapitalisation Resolutions at the 2017 AGM, the Recapitalisation Proposal will be unable to proceed, and the Company will be removed from the Official List of ASX, the DOCA will likely be terminated and the Company will likely, in the absence of

any other deed of company arrangement proposal or a variation to the terms of the DOCA, be put into liquidation. As noted above, in those circumstances, it is unlikely that there will be any return to Shareholders

(c) **DOCA effectuation**

The Company is currently subject to a Deed of Company Arrangement (**DOCA**), which requires, among other things, that certain DOCA Conditions outlined in Section 8.3 be satisfied in order for the DOCA to be wholly effectuated, including raising the Minimum Subscription under the Entitlement Offer. While every endeavour will be made to comply with the DOCA Conditions, there is a risk that if the DOCA Conditions are not satisfied the Company may remain in voluntary administration or proceed to liquidation.

(d) **Going concern risk**

In the Company's Annual Report for the period ended 30 June 2017 (**2017 Annual Report**), announced on the Company's ASX platform on 2 January 2018, the independent auditor's report notes that the Company group incurred a net loss after tax of \$198,274 during the year ended 30 June 2017, and, as of that date, had a net current asset deficiency of \$1,308,080. As a result, the independent auditor noted that the Company group is dependent on successfully raising additional funding and noted that these conditions, along with other matters set out in the Annual Report, indicate that a material uncertainty exists that may cast significant doubt about the Company group's ability to continue as a going concern.

Whilst the Directors consider that the Company will, subject to the Offer Conditions outlined in Section 3.7 being satisfied, continue as a going concern once appropriate funding to continue the Company's operations have been raised, investors should note that there is still a risk that the Company may not continue as a going concern.

(e) **ASX Suspension**

As at the date of this Prospectus, the Company is suspended from the Official List of ASX. As such, there is no market for Shares and the Shares offered pursuant to this Prospectus are highly illiquid.

(f) **Reinstatement to Trading on ASX**

At a time following completion of the Offers, but in any case in accordance with any extension of time granted by ASX in accordance with its policy in respect of long-term suspended entities in ASX Guidance Note 33, the Company intends to satisfy the requirements of ASX and apply for the reinstatement to trading of its Securities on ASX. While every endeavour will be made to comply with the requirements set down by the ASX Listing Rules, there can be no guarantee the Company will be able to comply with the requirements of ASX or that the Shares will be reinstated to trading on ASX. In the event the Company is unable to comply with the requirements of ASX, the Company will be removed from the Official List. Please refer to Section 8.4 for further information in relation to the ASX Reinstatement Conditions.

(g) **Future Capital Requirements**

The Company is likely to require additional funding in the future (whether by way of debt or equity or a combination of both). The ability of the Company to meet this future requirement will be dependent on the Company's continued access to credit markets, funding sources and financing facilities. Recent developments in global financial markets have adversely affected the liquidity of global credit markets, which has resulted in an increase in the cost of funding and in certain cases a reduction in the availability of funding sources throughout global markets. Access to credit markets on less favourable terms will impact the Company's access to financing facilities should the need arise and may have a material adverse effect on the Company's future financial performance and position.

Furthermore, any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if, and when, needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities and its solvency

(h) **Dilution**

Upon implementation of the Offers the number of Shares in the Company will increase from 33,078,652 on issue (on a post-Consolidation basis) to 753,865,172 Shares. This means existing Shareholders may have their existing Shareholdings in the Company diluted if they decide not to or are not eligible to participate in the Entitlement Offer.

(i) **Uncertainty of future profitability**

The Company has incurred losses and it is not possible to evaluate the future prospects of the Company based on past performance. Other factors that will determine the Company's financial results are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets the Company operates, competitive factors and regulatory developments. The Directors cannot guarantee the future financial performance of the Company and consequently give no financial forecasts.

(j) **Liquidity and price risks**

As the Company's Securities have been and are currently suspended from Official Quotation, there is currently no public market for the Company's Securities. The price of its Shares sought to be reinstated to ASX quotation is subject to uncertainty and there can be no assurance that an active market for the Company's Shares proposed to be reinstated to ASX quotation will develop or continue after the completion of the Offers.

The price at which the Company's Shares trade on ASX after the proposed reinstatement to quotation by the ASX may be higher or lower than the prices paid under the Offers and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as

movements in product material prices and exchange rates, changes to government policy, legislation or regulation and other events or factors.

10.3 Industry specific

(a) Exploration

The Company's Tenements are at an early stage of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Company's tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

Whilst the Directors' will make every effort to reduce this risk, the fact remains that the discovery and development of a commercially viable resource is the exception rather than the rule.

(b) Operations

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(c) Failure to satisfy expenditure commitments

The Company's interests in Tenements in Queensland and New South Wales are governed by legislation and regulations which are currently applicable in those States and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the Company's tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(d) **Commodity price volatility and exchange rate**

If the Company successfully defines a resource or reserve and subsequently achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(e) **Environmental**

The minerals and mining industry has become subject to increasing environmental regulations and liability. The potential for liability is an ever present risk.

The operations and proposed activities of the Company are subject to state and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

Exploration work will be carried out in a way that has minimal impact on the environment. It may be required for the Company to conduct baseline environmental studies prior to certain exploration or mining activities, so that environmental impact can be monitored and minimised where ever possible. Whilst the Company is not aware of any endangered species of flora or fauna at this point, no baseline studies

have been done to date, and such a discovery could prevent exploration and mining activity in certain areas.

(f) **Native title and Aboriginal heritage**

In relation to Tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

In addition, there may be areas or objects of Aboriginal heritage located on the Company's Tenements, or any other tenements that may be acquired by the Company in the future. The Company must ensure that it does not breach the Commonwealth and applicable territory legislation relating to Aboriginal heritage. To ensure that it does not contravene such legislation, it would be prudent for the Company (and it would accord with industry practice and Aboriginal expectations) to conduct heritage surveys to determine if any Aboriginal heritage sites or objects exist within the area of the Company's Tenements prior to commencing any activities. Any interference with these sites or objects must be in strict conformity with the provisions of the relevant legislation.

If Aboriginal heritage sites or objects do exist the Company may need to enter into agreements with the traditional owners of the sites. The ability of the Company to implement its work programme may be adversely affected in both time and cost.

The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

(g) **Tenure**

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved.

The Tenements in which the Company has an interest are subject to the applicable mining acts and regulations in Queensland and New South Wales. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

10.4 General risks

(a) **Insurance risks**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by

insurance could have a material adverse effect on the business, financial position, and results of the Company.

Insurance against all risks associated with mining exploration production is not always available, and where available, the costs can be prohibitive.

(b) **Competition risks**

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(c) **Securities Investment**

Applicants should be aware that there are risks associated with any securities investment. The prices at which Shares trade may be above or below the issue or acquisition price and may fluctuate in response to a number of factors.

Furthermore, the stock market, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These factors may materially affect the market price of the Shares, regardless of the Company's operational performance.

(d) **Force Majeure**

The projects in which the Company has an interest now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(e) **Laws, government policy and approvals**

Existing laws, government regulations and policies and changes in the same may adversely affect the financial performance of the Company. The Company's financial performance, financial position and capacity to carry out its activities may be affected by changes in government policy, which are beyond the Company's control.

(f) **Regulatory Risks**

The Company's exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time-consuming process and there is a risk that Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the Tenements.

(g) **Joint venture, acquisitions or other strategic investments**

The Company may make strategic investments in complementary businesses or enter into strategic partnerships or alliances with third parties in order to enhance its business. As at the date of this Prospectus, the Company is not aware of the occurrence or likely occurrence of any such risks which would have a material adverse effect on the Company or its subsidiaries.

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

(h) **Management of growth**

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the DOCA. The capacity of the new management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

(i) **Taxation**

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus or of acquiring or disposing of Securities.

(j) **Litigation Risks**

The Company is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(k) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(l) **Share market conditions**

Share market conditions may affect the value of Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) changes in investor sentiment toward particular market sectors;
- (iv) the demand for, and supply of, capital; and
- (v) terrorism or other hostilities.

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company, or any return on an investment in the Company.

10.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

11. BOARD, MANAGEMENT AND INTERESTS

11.1 Directors and key personnel

As at the date of this Prospectus, the Board comprises of:

- (a) Gary Steinepreis;
- (b) Bernard Aylward; and
- (c) Daniel Smith.

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

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

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

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

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

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

Given his interests in the Proponent, as outlined in further detail in Section 11.2, Mr Steinepreis is not considered to be an independent Director for the purposes of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition).

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

Mr Aylward is a geologist with over 20 years' experience as a manager and exploration geologist in the mining and exploration industry in a variety of commodities. Mr Aylward's experience includes serving as the Chief Operating Officer of International Goldfields Ltd (ASX: IGS), General Manager of Azumah Resources Ltd (Ghana), and Exploration Manager for Croesus Mining NL.

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

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

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

The Board considers Mr Aylward to be free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of Mr Aylward's judgement. Mr Aylward is considered to be an independent Director for the purposes of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition).

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

Mr Smith is a member of the Australian Institute of Company Directors and the Governance Institute of Australia and has over 10 years' primary and secondary capital markets expertise. As a director of corporate consulting firm Minerva Corporate, he has advised on, and been involved in, over a dozen IPOs, RTOs and capital raisings on both the ASX and NSX. His key focus is on corporate governance and compliance, commercial due diligence and transaction structuring, as well as ongoing investor and stakeholder engagement.

Mr Smith is a Non-Executive Director and Company Secretary of ASX-Listed Ferrum Crescent Limited and is Company Secretary for Taruga Gold Limited and Love Group Global Limited. Mr Smith holds a BA in International Relations from Curtin University.

Mr Smith was a director of York Energy NL, a company which was placed into voluntary administration on 9 September 2013 when the company was unable to secure the funds required to maintain its interest in its main asset, the Kangwane North coal project in South Africa. The administration resulted in a \$2.5 million shortfall to creditors.

The non-associated Directors and Deed Administrators have considered the circumstances surrounding Mr Smith's involvement in York Energy NL and are of the view that Mr Smith's involvement in this company in no way impacts on his appointment and contribution as a Director of the Company.

The Board considers Mr Smith to be free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of Mr Smith's judgement. Mr Smith is considered to be an independent Director for the purposes of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition).

Management and Consultants

The Company is aware of the need to have sufficient management to properly supervise the exploration on the Projects in which the Company has, or will in the future have, an interest in and the Board will continually monitor the management roles in the Company. As the Company's projects require an increased level of

involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's projects.

11.2 Disclosure of Interests

Interests in Recapitalisation Proposal

Gary Steinepreis, who is a Director of the Company and who is also the sole director of, and has an indirect shareholding interest in, the Proponent, has been involved with the provision of services by the Proponent to the Company during the Recapitalisation process. The Proponent will be paid the Recapitalisation Fee for these services as set out in Section 8.2(j).

The Proponent or its nominees will also be entitled to receive the Securities offered under the Proponent Offer, namely 70,000,000 Shares and 100,000,000 Options, on completion of which the Proponent will acquire a 9.3% security holding interest in the Company. The Proponent has nominated Gary Steinepreis or his nominees as its nominee to receive the Proponent Securities. Subject to completion of the Offers, and Shareholder approval at the 2017 AGM, once these Securities are issued, Gary Steinepreis will have an interest in these Proponent Securities.

Security holdings of Directors

Directors are not required under the Company's Constitution to hold any Shares to be eligible to act as a director. The relevant interest of each of the Directors in the Securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement Shares	\$
Gary Steinepreis ¹	Nil	Nil	Nil	Nil
Bernard Aylward ²	Nil	Nil	Nil	Nil
Daniel Smith ³	Nil	Nil	Nil	Nil

Notes

1. Refer to information above under heading "Interests in Recapitalisation Proposal" in this Section in respect of Mr Steinepreis' interest in Securities to be issued following completion of the Proponent Offer. Mr Steinepreis will also, subject to Shareholder approval at the 2017 AGM and completion of the Offers, be issued up to 50,000,000 Shares through his intended participation in the Placement and/or the Shortfall Offer.
2. Mr Aylward will, subject to Shareholder approval at the 2017 AGM and completion of the Offers, be issued 2,500,000 Director Options pursuant to the Director Offer and up to 10,000,000 Shares through his intended participation in the Placement and/or the Shortfall Offer.
3. Mr Smith will, subject to Shareholder approval at the 2017 AGM and completion of the Offers, be issued 2,500,000 Director Options pursuant to the Director Offer and up to 10,000,000 Shares through his intended participation in the Placement and/or the Shortfall Offer.

As noted in the above table, subject to obtaining Shareholder approval at the 2017 AGM and completion of the Offers, the Directors may elect to participate in the Shortfall Offer and/or the Placement in respect of up to an approved maximum of 70,000,000 Shares. As at the date of this Prospectus all Directors intend to participate in the Shortfall Offer and/or the Placement. If Directors elect to participate in the Shortfall Offer and/or the Placement, their shareholding interests in the Company will increase. Full details of the security holding details of

Directors will be released to ASX in accordance with ASX Listing Rule requirements following reinstatement of the Company's Shares to trading on ASX.

The Board recommends to all Shareholders that they take up their Entitlement in full.

Remuneration of Directors

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration per annum of non-executive Directors is fixed by Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director, and in default of an agreement between those Directors, then such amounts will be paid in equal shares. The current amount has been set at an amount not to exceed \$325,000 per annum.

A Director may be paid other amounts as the other Directors determine where a Director performs extra services or otherwise makes any special exertions on behalf of the Company or its business. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

Details of the Directors' remuneration for the current financial year and the financial year ended 30 June 2019 are set out in the table below:

Directors	Financial year ended 30 June 2018^{1,2}	Financial year ended 30 June 2019²
Gary Steinepreis	\$24,000 ³	\$24,000
Bernard Aylward	\$24,000	\$24,000
Daniel Smith	\$24,000	\$24,000

Note:

1. The actual figure for the current financial year will be a pro-rata amount from Settlement of the Recapitalisation Proposal until 30 June 2018. All Directors were appointed on 18 January 2018.
2. The proposed remuneration is for acting in a non-executive capacity. Directors will be entitled to market-based remuneration for any executive duties undertaken. As at the date of this Prospectus, no such executive duties have been allocated, finalised or agreed.
3. As noted above, Gary Steinepreis has an interest in the Proponent, which will be remunerated separately for work undertaken in this capacity in accordance with the terms of the DOCA, as set out in Section 8.2.

11.3 Agreements with Directors

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

As at the date of this Prospectus, the Company has not entered into any agreements with any Directors or their controlled entities.

12. CORPORATE GOVERNANCE

12.1 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, our Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website www.lachlanstar.com.au.

Board of directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$325,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing

director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

12.2 Departures from Recommendations

Following re-admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

13. MATERIAL CONTRACTS

13.1 Deed of Company Arrangement

On 7 August 2015, at a second meeting of creditors of the Company, the creditors of the Company resolved to execute a deed of company arrangement (**DOCA**) recommended by Hayden White and Matthew Woods (in their capacity as joint and several administrators). The Company, the Proponent and the Administrators executed the DOCA on 28 August 2015, which embodied a proposal by the Proponent for the recapitalisation of the Company.

The key terms of the DOCA are set out in Section 8.2.

Indemnification of Administrators and Trustees

In addition to these key terms, the Administrators and the Trustees are entitled to be indemnified out of:

- (a) prior to and as at Settlement, from the assets of the Company, except for the Project assets and the fund created under the DOCA (**Deed Fund**); and
- (b) after Settlement, from the Creditors' Trust fund,

for:

- (a) the Administrators costs and the Trustees costs payable pursuant to the DOCA and the Creditors' Trust; and
- (b) all actions, suits, proceedings, accounts, claims and demands arising from the DOCA or Creditors' Trust.

Pursuant to the terms of the DOCA, the Proponent and the Company release the Administrators from all formal actions, suits, causes of action, proceedings, claims, accounts, demands, costs and expenses which the Proponent may have against the Administrators in connection with the implementation of the DOCA (except to the extent that the aforementioned are caused by the negligence of the Administrators).

Termination of DOCA

The DOCA will terminate upon the following events:

- (a) upon Settlement of the DOCA;
- (b) if a Court orders that the DOCA be terminated in accordance with section 445D of the Corporations Act;
- (c) satisfaction (or waiver by the Proponent) of the conditions of the DOCA on or before 31 March 2018, or such date as mutually agreed;
- (d) if the Creditors resolve to terminate the DOCA at a meeting of Creditors and do not otherwise vary the DOCA; or
- (e) if the Deed Administrators, with the agreement of the Proponent, determine that the DOCA cannot be fulfilled, and the creditors pass a resolution to terminate the DOCA at a meeting of Creditors.

Creditors' Trust Deed

Upon satisfaction of the DOCA Conditions, the Company and the Deed Administrators will enter into the Creditors' Trust Deed, under which the Creditors' Trust fund will be administered by the Trustees (being the Deed Administrators) in accordance with that deed.

Pursuant to the terms of the Creditors' Trust Deed, the Creditors' Trust fund will be distributed in the following manner:

- (a) first, to pay Deed Administrator costs (to the extent any exist upon completion of the DOCA);
- (b) second, to pay the Trustees' costs;
- (c) third, to pay any employee entitlements;
- (d) fourth, to any Creditors whose claim has been accepted (wholly or in part or contingently) by the Deed Administrators or Trustees (as the case may be) (**Admitted Creditors**);
- (e) fifth, if any balance remains after all Admitted Creditors have been paid 100 cents in the dollar on their admitted claims (excluding interest), to Admitted Creditors in payment of interest on their admitted claims;
- (f) sixth, to the Shareholders, in proportion to the number of Shares held by them, rateably.

The Deed Administrators and the Trustees are entitled, subject to the terms of the DOCA and the Corporations Act, to be indemnified, to the extent permitted by law, for the Trustees' costs under the Creditors' Trust Deed and all (among other things) actions, proceedings and claims arising after 28 August 2015, being the date of execution of the DOCA, out of or relating to the Creditors' Trust Deed, which may be commenced, incurred or made on the Trustees by any person, and against all costs incurred by the Trustees in respect of them.

Following completion of the Offers, the Creditors' Trust fund is expected to comprise:

- (a) the Creditors' Payment of \$675,000;
- (b) the balance of the Recapitalisation Expenses Fund (which was initially \$50,000), less any drawings made costs and disbursements relating to the DOCA Conditions);
- (c) the 20,000,000 Creditors' Trust Shares;
- (d) all other assets of the Company (other than the Retained Assets), which includes:
 - (i) shares in the Company's other subsidiary, Toodyay Uranium Pty Ltd;
 - (ii) cash at bank, expected to be a maximum of \$2,783 as at Settlement;
 - (iii) the Company's rights in its sundry debtors; and

- (iv) any claims, rights, debts causes of action or entitlement of whatsoever nature, arising prior to 13 February 2015 (being the date on which the Deed Administrators were appointed), which the Company has against any third party.

13.2 Bushranger Exploration Farmin and Joint Venture Agreement - Royalty

On 30 September 2011, the Company's wholly owned subsidiary, Ord Investments, entered into the FJVA with Newmont Exploration Pty Ltd (**Newmont**). Newmont's interests in the FJVA were subsequently novated to Anglo American on 10 January 2014 pursuant to the Deed of Novation.

As noted in Section 8.7, the Company has since elected not to contribute to exploration expenditure on this Project and its interest in this Project was diluted to below the deemed withdrawal threshold contained in the FJVA (being a 10% participating interest). Accordingly, the Company's interest has now been converted into a Royalty.

The Royalty is 2% of net smelter returns and is payable in cash on or before the 45th day after the last day of each quarter, for 100% of:

- (a) all "mineral products", being all ores, minerals, concentrates, dore, bullion and other products mined and removed from all or any part of the mining area of EL 5574 (whether or not subsequently beneficiated, processed or otherwise upgraded (but excluding refined precious metals) (**Mineral Products**); and
- (b) all "refined precious metals", being gold derived from mineral products and refined by or for the account of Anglo American to a purity of at least 0.995 (**Refined Precious Metals**),

and, for the purposes of the Royalty, "net smelter returns" includes:

- (c) in the case of Mineral Products, the quantity of Mineral Products which are sold and delivered by Anglo American, multiplied by:
 - (i) the gross proceeds actually received by Anglo American from sale of those Mineral Products (in respect of Mineral Products sold at arm's length); and
 - (ii) the arithmetic average of the price of a Mineral Product on each business day of the month using an industry standard price in Australia for establishing the average spot price of such products (in respect of Mineral Products sold on terms other than at arm's length),

and reduced by certain allowable charges; and

- (d) in the case of Refined Precious Metals, the number of troy ounces of refined precious metals delivered or credited to the account of Anglo American prior to any refining, as evidenced by the metals return statements received from the refiner multiplied by the average of the London PM fixings in US Dollars for gold on each trading day of the relevant quarter, in each case converted to Australian dollars at a specified rate, and reduced by certain allowable charges.

Anglo American is permitted, under the terms of the Royalty, to undertake certain trading activities (including forward and/or purchase contracts, spot deferred

contracts, option contracts and/or other price hedging and price protection arrangements) in connection with all or some of the Mineral Products or Refined Precious Metals, which, together with any profit or loss generated by them, will not be taken into account in the calculation of the Royalty. Ord Investments has waived any claim for additional Royalty should Anglo American realise more dollars per troy ounce or other units of sale for Mineral Products or Refined Precious Metals than is utilised in the Royalty calculation, and Anglo American is not obliged to share in any losses generated with such trading activities with respect to Refined Precious Metals or other Mineral Products.

13.3 Director Appointment Letters

The Company will enter into letters of appointment with each of Gary Steinepreis, Bernard Aylward and Daniel Smith in respect of their respective appointments on standard terms which are subject to the Company's Constitution and applicable laws in due course.

Details of the Directors' remuneration the current financial year is set out in the table in Section 11.2.

13.4 Deeds of indemnity, insurance and access

The Company will enter into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company will agree to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also be required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

14. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

14.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

At the 2017 AGM, the Company will be seeking Shareholder approval to repeal its current Constitution and adopt a new Constitution, which has been updated to reflect the current provisions of the ASX Listing Rules and Corporations Act (**Proposed Constitution**). The rights summarised below however, will, unless expressed to the contrary, continue to apply following the adoption of the Proposed Constitution.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which

shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company.

The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Pursuant to the current Constitution, no dividend shall be payable except out of profits. This reflects the previous Section 254T of the Corporations Act, which was replaced, effective 28 June 2010, with a new three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

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

- (i) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (ii) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The Proposed Constitution has been updated to reflect the above change to the law.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in

respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

14.2 Terms of Proponent Options and Director Options

(a) **Entitlement**

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

(b) **Exercise Price**

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

(c) **Expiry Date**

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

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

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

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

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

(h) **Shares issued on exercise**

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

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

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

(j) **Reconstruction of capital**

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

(k) **Participation in new issues**

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

(l) **Change in Exercise Price**

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

(m) **Unquoted**

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

(n) **Transferability**

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

15. ADDITIONAL INFORMATION

15.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

Upon effectuation of the DOCA, and as part of the administration process, any potential claims relating to the Company or its administration will be dealt with by the Trustees under the Creditors Trust. As such, and with effect as from effectuation of the DOCA, all claims against the Company will be extinguished and the Company will be released from all such claims.

15.2 Interests of Directors

Other than as set out in this Prospectus, no Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offers.

15.3 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (f) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offers.

Steinepreis Paganin has acted as the lawyers to the Company in relation to the Offers. The Company estimates it will pay Steinepreis Paganin between \$10,000 and \$20,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has accrued fees totalling \$45,416.50 (excluding GST and disbursements) for legal services provided to the Company.

As summarised in Section 8.2 in this Prospectus, Ascent Capital Holdings Pty Ltd has been assisting with the management of the Offers and the implementation of the Recapitalisation Proposal. The Company will pay Ascent Capital Holdings Pty Ltd a Recapitalisation Fee of between \$50,000 and \$100,000 (exclusive of GST), for its services in relation to the Recapitalisation Proposal under the DOCA. During the 24 months preceding lodgement of this Prospectus with the ASIC, Ascent Capital Holdings Pty Ltd has not been paid by the Company for services rendered.

15.4 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

PricewaterhouseCoopers has given its written consent to being named as auditor of the Company in this Prospectus. PricewaterhouseCoopers has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the lawyers to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Ascent Capital Holdings Pty Ltd has given its consent to being named as the Proponent to the Recapitalisation Proposal in this Prospectus, and the inclusion of statements relating to Ascent Capital Holdings Pty Ltd in this Prospectus, in each case, in the form and context in which it was included. Ascent Capital Holdings Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

15.5 Deed Administrators

The Deed Administrators have not been involved in the preparation of this Prospectus and has taken no part in the preparation of any documents and expresses no opinion regarding the Recapitalisation Proposal.

The Deed Administrators have not independently verified any of the information contained in this Prospectus. Neither the Deed Administrators nor any of their servants, agents or employees make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Prospectus. To the extent permitted by law, all such parties and entities expressly disclaim any and all liability for, based on or relating to, any such information contained in or omitted from this Prospectus.

The Deed Administrators have given their written consent to being named as the Deed Administrators in this Prospectus in the form and context in which they are named. The Deed Administrators have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

15.6 Expenses of the Offers

In the event that all Entitlements are accepted in full, the total expenses of the Offers (excluding GST) are set out in the table below:

Estimated Costs of Recapitalisation	Minimum Amount raised	Full Amount raised
ASIC lodgement fees	\$2,400	\$2,400
ASX quotation fees	\$11,307	\$13,145
Legal fees	\$10,000	\$20,000
Recapitalisation Fee ¹ , Capital Raising fees and associated expenses of the Offers	\$50,000	\$310,000 ³
Miscellaneous including printing costs	\$1,293	\$4,455
TOTAL	\$75,000	\$400,000

Notes:

1. Payable to the Proponent pursuant to the terms of the DOCA. The Recapitalisation Fee payable to the Proponent under the DOCA totals \$100,000, however, as noted in Section 7.2, if the Minimum Amount is raised, the Proponent has agreed that the Recapitalisation Fee will be reduced to \$50,000. If more than the Minimum Amount, but less than the Full Amount is raised, it is intended that the Recapitalisation Fee will be increased subject to payment of capital raising fees and associated expenses.

2. Comprising the full Recapitalisation Fee of \$100,000 and an estimated amount of \$189,236 payable to unrelated third parties in capital raising fees at 6% of the total amount raised under the Entitlement Offer and the Placement Offer, with the balance being associated expenses of the Offers. No capital raising fees will be payable if the Minimum Amount is raised.

15.7 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

Price sensitive information is publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

The announcements of the Company are available through the Company’s ASX platform using the code “LSA” and the Company’s website. Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

15.8 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Deed Administrators on +61 8 9263 7171 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company’s website at www.lachlanstar.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

15.9 Privacy Act

If you complete an Application Form, you will be providing personal information to the Company (directly or by the Company’s Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company’s Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

16. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors (with the authority of the Deed Administrators).

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Gary Steinepreis

Non-executive Chairman with the authority of the Deed Administrator

Lachlan Star Limited

(Subject to Deed of Company Arrangement)

17. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

2017 AGM means the annual general meeting of Shareholders to be held 19 March 2018 at which, amongst other things, the Recapitalisation Resolutions will be proposed to the Shareholders.

Applicant means a person who has submitted an Application Form pursuant to one of the Offers.

Application Form means an Entitlement and Acceptance Form, Shortfall Application Form, Creditors' Trust Offer Application Form, Proponent Offer Application Form, Directors Offer Application Form and/or Placement Application Form, as the context requires, which are attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

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

ASX Conditional Approval Letter means the letter from ASX to the Company dated 18 May 2016, which sets out the ASX Reinstatement Conditions.

ASX Listing Rules means the listing rules of the ASX.

ASX Reinstatement Conditions means the conditions required by ASX in order for the Company's Shares to be reinstated to trading on the Official List, as summarised in Section 8.4.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Bushranger Copper Project means the Bushranger Copper Project located in New South Wales, as described in further detail in Section 8.7.

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

Capital Raising means, subject to Shareholder approval, the raising of capital pursuant to this Prospectus.

Closing Date means the date specified in the timetable set out in Section 2 (unless extended).

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

Consolidation means, subject to Shareholder approval, at the Annual General Meeting, the consolidation of the Company's existing Shares on the basis that every five (5) Shares are consolidated into one (1) Share, with fractional entitlements rounded up.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Creditors means the creditors of the Company.

Creditor Payment means the payment of \$675,000 in cash to the Creditors' Trust for the purposes of satisfying the costs of the DOCA administration and Creditors' claims.

Creditors' Trust means the trust created for the benefit of the Creditors' claims.

Creditors' Trust Deed means the trust deed to be entered into between the Company and the Deed Administrators, as set out in Section 13.1.

Creditors' Trust Offer means the offer of Creditors' Trust Shares to the Trustees under this Prospectus and in accordance with the terms of the DOCA, details of which are set out in Section 6.2.

Creditors' Trust Offer Application Form means the Application Form for the Creditors' Trust Offer.

Creditors' Trust Shares means 20,000,000 Shares issued pursuant to the Creditors' Trust Offer.

Deed Administrators means Messrs Matthew Woods and Hayden White of KPMG as joint and several deed administrators of the Company.

Director Offer means the offer of Director Options to Directors, Bernard Aylward and Daniel Smith, as set out in Section 6.2.

Director Offer Application Form means the Application Form for the Director Offer.

Director Options means the 5,000,000 Options to be granted to Directors under the Director Offer, on the terms and conditions set out in Section 14.2.

Directors means the directors of the Company as at the date of this Prospectus.

DOCA or Deed of Company Arrangement means the deed of company arrangement (as amended) between the Company, Proponent and the Deed Administrators executed on 28 August 2015.

DOCA Conditions means the conditions precedent to the DOCA, as summarised in Section 8.3.

EL means exploration licence.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Entitlement Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Entitlement Offer means the non-renounceable entitlement issue offered under this Prospectus, details of which are set out in Section 6.1.

FJVA has the meaning given in Section 8.7.

Full Amount means the full amount which may be raised under this Prospectus, as set out in Section 7.2.

Group means the Company and its controlled entities.

JORC means the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition).

Offers means the Entitlement Offer, the Shortfall Offer, Creditors' Trust Offer, the Proponent Offer, the Director Offer and the Placement Offer.

Offer Conditions means the conditions to the Offers proceeding, outlined in Section 3.7.

Official List means the official list of ASX.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share on the terms set out in Section 14.2.

Optionholder means a holder of an Option.

Ord Investments means Ord Investments Pty Ltd, the Company's wholly owned subsidiary.

Other Offers means the Creditors' Trust Offer, the Proponent Offer, the Director Offer and the Placement Offer.

Mineral Products has the meaning given to that term in Section 13.2.

Mineral Resource has the meaning given to that term in the JORC Code.

Minimum Amount means the minimum amount which may be raised under this Prospectus, as set out in Section 7.2.

Minimum Subscription means, in respect of the Entitlement Offer, \$1,653,933, being the full amount being raised under the Entitlement Offer.

ML means mining lease.

Placement means the proposed issue of Placement Shares.

Placement Offer means the offer of Placement Shares under this Prospectus, details of which are set out in Section 6.2.

Placement Offer Application Form means the Application Form for the Placement Offer.

Placement Shares means the 300,000,000 Shares to be issued under the Placement Offer, on the terms and conditions set out in Section 14.1.

PPSA means the *Personal Property Securities Act 2009 (Cth)*.

Proforma Financial Information has the meaning given to that term in Section 9.1.

Projects means the projects in which the Company has an interest as at the date of this Prospectus, being the Princhester Magnesite Project and the Bushranger Copper Project.

Proposed Constitution has the meaning given to that term in Section 14.1.

Princhester Magnesite Project means the Princhester Magnesite Project located in Queensland, as described in further detail in Section 8.6.

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

Proponent Offer means the offer of Proponent Shares and Proponent Options to the Proponent under this Prospectus and in accordance with the terms of the DOCA, details of which are set out in Section 6.2.

Proponent Offer Application Form means the Application Form for the Proponent Offer.

Proponent Options means the 100,000,000 Options to be granted to the Proponent under the Proponent Offer, on the terms and conditions set out in Section 14.2.

Proponent Securities means the Proponent Shares and the Proponent Options.

Proponent Shares means the 70,000,000 Shares to be issued to the Proponent under the Proponent Offer, on the terms and conditions set out in Section 14.1.

Prospectus means this prospectus.

Recapitalisation means the proposed recapitalisation of the Company.

Recapitalisation Expenses Fund means the \$50,000 lent by the Proponent to the Deed Administrators for the sole purpose of external costs in implementing the Recapitalisation Proposal.

Recapitalisation Resolutions has the meaning given in Section 5B of the Investment Overview in Section 5.

Record Date means the date specified in the timetable set out in Section 2.

Related Party Securities means the Director Options, the Proponent Securities and up to 70,000,000 Shares which may be issued to Directors from their participation in the allocation of Shortfall under the Entitlement Offer and/or their participation in the Placement Offer.

Refined Precious Metal has the meaning given to that term in Section 13.2.

Retained Assets has the meaning given to that term in Section 8.2(a).

Royalty means the 2% Net Smelter Return royalty granted to the Company pursuant to the FJVA, as summarised in Section 13.2.

Section means a section of this Prospectus.

Securities means all securities of the Company, including a Share or an Option (as the context requires).

Settlement means the settlement of the DOCA.

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

Shareholder means a holder of a Share.

Share Registry means Computershare Investor Services Pty Limited ACN 078 279 277 of Level 11, 172 St Georges Terrace, Perth WA 6000.

Shortfall means the Shares not applied for under the Entitlement Offer (if any).

Shortfall Application Form means the Application Form for the Shortfall Offer.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 6.7.

Shortfall Shares means the Shares comprising the Shortfall.

Trustees means the trustees of the Creditors' Trust, being Messrs Matthew Woods and Hayden White of KPMG.

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