
**NEW HORIZON COAL LTD
(TO BE RENAMED “HELIOS ENERGY LTD”)**

ACN 143 932 110

NOTICE OF GENERAL MEETING

TIME: 11.00am WST

DATE: 6 February 2017

PLACE: Level 1
33 Ord Street
West Perth, Western Australia
AUSTRALIA 6005

The Directors believe the proposed change of activities is in the best interests of Shareholders and recommend that Shareholders vote in favour of all Resolutions set out in this Notice of Meeting.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9420 9300.

CONTENTS

Business of the Meeting (setting out the proposed Resolutions)	1
Explanatory Statement (explaining the proposed Resolutions)	4
Glossary	40
Schedule 1 – Proforma Balance Sheet	42
Schedule 2 – Terms and Conditions of Performance Rights	46
Schedule 3 – Terms and Conditions of Options	49
Schedule 4 – Vendors	51
Proxy Form	enclosed

IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 11.00am WST on 6 February 2017 at:
Level 1, 33 Ord Street, West Perth, Western Australia, Australia 6005.

Your vote is important

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

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11.00am WST on 4 February 2017.

Voting in person

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

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
 - the proxy need not be a Shareholder of the Company; and
 - a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.
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BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

"That, subject to the passing of the Essential Resolutions, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company:

- (a) to make a significant change in the nature and scale of its activities as set out in the Explanatory Statement; and*
- (b) to issue Shares upon re-compliance with the ASX Listing Rules at an issue price of not less than \$0.02 per Share post Consolidation."*

Short Explanation: If successful, the Acquisitions will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

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

"That, subject to the passing of the Essential Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every two (2) Shares be consolidated into one (1) Share and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share."

Short Explanation: The Company must consolidate its capital in order to satisfy Chapters 1 and 2 of the ASX Listing Rules and as a condition of the Company's securities recommencing trading on the ASX following completion of the Acquisitions.

3. RESOLUTION 3 – APPROVAL OF ISSUE OF CONSIDERATION TO ACQUIRE THE PROJECTS

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

“That, subject to the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue:

- (a) 240,000,000 Shares (on a post-Consolidation basis) to the Vendors (and/or their nominees); and*
- (b) 240,000,000 Performance Rights to the Vendors (and/or their nominees) each with a nil exercise price,*

on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Short Explanation: The Company has entered into two inter-conditional Acquisition Agreements pursuant to which it will acquire the Trinity Oil Project and the Presidio Oil Project both located in Texas, USA, from the Vendors (and/or their nominees). The Company seeks Shareholder approval for the issue of 240,000,000 Shares and 240,000,000 Performance Rights to the Vendors (and/or their nominees) in part consideration for the Acquisitions.

4. RESOLUTION 4 – APPROVAL OF RIGHTS ISSUE

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

“That, subject to the passing of the Essential Resolutions, that for the purposes of the ASX Waiver and for all other purposes, approval is given for the Company to conduct the Rights Issue on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will, in accordance with the ASX Waiver, disregard any votes cast on this Resolution by any of its Substantial Holders, any underwriter, sub-underwriter, broker or manager to the Rights Issue, and the associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – ISSUE OF OPTIONS UNDER PLACEMENT

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

“That, subject to the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the

Company to issue by way of a placement of up to 630,000,000 Options exercisable at \$0.02 each (on a post-Consolidation basis) on or before 31 December 2021 on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – ISSUE OF ADVISOR SECURITIES

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

"That, subject to the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 25,000,000 Shares (on a post-Consolidation basis) and 25,000,000 Options exercisable at \$0.02 each (on a post-Consolidation basis) on or before 31 December 2021 to CPS Capital Group Pty Ltd (and/or its nominees) on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – CHANGE OF COMPANY NAME

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

"That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to "Helios Energy Ltd" with effect from completion of the Trinity Acquisition."

Dated: 5 January 2017

By order of the Board

**Gary Steinepreis
Non-Executive Director**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting.

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

Resolutions 1 to 6 (inclusive) are **Essential Resolutions**, as such the Essential Resolutions must be passed for the Acquisitions to proceed. If any one of the Essential Resolutions are not approved at the Meeting, none of them will take effect and the Acquisition Agreements and other matters contemplated by those Resolutions will not be completed.

Resolution 7 will only be effected if the Essential Resolutions are passed.

1. BACKGROUND TO PROPOSED ACQUISITIONS

1.1 Background on the Company

The Company is an Australian company, incorporated on 4 June 2010 and listed on the Australian Securities Exchange on 20 October 2010 (ASX: NHO).

As announced on 8 January 2015, the Company transferred its 100% interest in the permit comprising the Kinney Coal Project, located in Scofield, Utah, USA back to Carbon Resources and no longer has an interest in the permit, or any other permits.

The Company has since focussed on evaluating new projects in all business sectors, carrying out due diligence and reviewing presentations for projects in the technology sector, finance sector and advanced stage mining projects.

On 13 October 2015, the Company was suspended from official quotation on ASX on the basis that it does not have a current level of operations sufficient to maintain continued listing. The Company has remained suspended since this date and has complied with all of its reporting requirements.

1.2 Background on the Acquisitions

Acquisition of new assets

The Company has entered into:

- (a) a conditional heads of agreement with the vendors set out in Schedule 4 (**Vendors**), pursuant to which the Company has agreed to acquire, and the Vendors have agreed to sell:
 - (i) a 100% Working Interest in certain leases of oil and gas mineral rights (which in aggregate total to a minimum of 3,118 net acres) situated at the intersection of Trinity, Houston and Walker counties in Texas, USA (**Trinity Leases**);
 - (ii) a Net Revenue Interest (**NRI**) of 75% of 8/8ths (being 100% of a NRI of 75%) in respect of the Trinity Leases; and
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- (iii) all data accumulated by the Vendors in respect of the Trinity Leases which includes, but is not limited to, all the geological and geophysical data created or accumulated by the Vendors,

(together the **Trinity Oil Project**) (**Trinity Acquisition**); and

- (b) a conditional heads of agreement with the Vendors, pursuant to which the Company will acquire or earn from the Vendors all right, title and interest in and to:

- (i) a 70% WI in certain leases of oil and gas mineral rights (which in aggregate total to a minimum of 6,280 net acres) all situated in Presidio county in Texas, USA (**Presidio Leases**);

- (ii) a NRI of 52.50% of 8/8ths (being 70% of a NRI of 75%) in respect of the Presidio Leases; and

- (iii) a 100% ownership interest in all data accumulated by the Vendors in respect of the Presidio Leases which includes, but is not limited to, all the geological and geophysical data created or accumulated by the Vendors.

(together, the **Presidio Oil Project**) (**Presidio Acquisition**),

(Acquisition Agreements).

The Trinity Acquisition and the Presidio Acquisition are together referred to as the **Acquisitions** and the Trinity Oil Project and the Presidio Oil Project are together referred to as the **Projects**.

Each of the Trinity Oil Project and the Presidio Oil Project are prospective for oil and gas. Further details of the projects are set out in Section 1.3 of this Notice.

As at the date of this Notice of Meeting, none of the Vendors are related in any way to the Directors or are Substantial Holders or promoters of the Company.

1.3 The Projects

A summary of the Trinity Oil Project and Presidio Oil Project are set out below.

- (a) **Trinity Oil Project**

The Trinity Oil Project is situated at the intersection of Trinity, Houston and Walker counties in Texas, USA and is comprised of 3,118 net acres of oil and gas leases.

The oil plays contained within the leases the subject of the Trinity Oil Project which have attracted the Company are contained within the thick, organically rich section located below the Austin Chalk formation all the way down to the Glen Rose formation. This overall "Eaglebine/BudaRose" section contains both conventional and unconventional oil reservoirs. However, the vast majority of the targeted sections should be classified as unconventional tight oil reservoirs.

One potential development option for the Company would be via drilling vertical wells and then comingling all zones in a single completion post fracking. This drilling could be undertaken by the

Company or by a farminee brought into the Trinity Oil Project by the Company post purchase.

Another potential development option for the Company would be via drilling fracked horizontal wells into the Lower Woodbine interval.

The Trinity Oil Project is located in an area which has seen recent oil exploration and production activity in the Woodbine, Eagle Ford, Buda and Glen Rose formations ("Eaglebine" and "BudaRose").

The Trinity Oil Project is located about 100 miles north-east of Houston, Texas and can be considered as a north-eastward extension of the very well documented South Texas Eagle Ford trend.

There is established oil and gas production from wells nearby the Trinity Oil Project and the target section has proven to be prolific in the immediate area with cumulative production of approximately 9,000,000 barrels of oil (**bo**) and 39 billion cubic feet of gas.

This nearby production has resulted from drilling vertical wells and then comingling all zones in a single completion post fracking. Drilling is conducted on 160 acre spacing and type curves of these nearby analogous wells have average initial production of 500 barrels of oil per day (**bopd**) with an average well producing a total of 250,000 bo. The Trinity Oil Project is comprised of 3,118 net acres which would, subject to successfully drilling, require 20 vertical oil wells to develop. The target for recovered oil would therefore be a total of 5,000,000 bo (based on a 100% Working Interest).

These nearby analogous vertical fracked wells are being drilled and completed for a total capital cost of US\$3,500,000 and operating costs are US\$6,000 per well per month.

(b) **Presidio Oil Project**

The Presidio Oil Project is situated in Presidio county, Texas and is comprised of 6,280 net acres of oil and gas leases.

The Presidio Oil Project is prospective for oil in the Edwards, Olmos and Eagle Ford formations.

The Presidio Oil Project lies within a relatively undisturbed zone of recurrent normal faulting along the western margin of the Diablo Platform and the eastern edge of the Eastern Chihuahuan Tectonic Belt and is characterised by numerous graben or half graben features. These fault structures provide the possibility for traps similar to those faulted structures which produce the vast majority of Cretaceous oil in South Texas. Both the Edwards and Olmos Formations the subject of the Presidio Oil Project were defined by the Vendors by a combination of surface (primarily for fault traces) and sub-surface mapping. Although drilling in the area is relatively sparse, the few wells that have been tested locally have produced 37° API oil with some associated gas, greatly de-risking the presence of hydrocarbons.

The primary conventional oil play contained within the leases the subject of the Presidio Oil Project is a shallow (5,000 foot) vertical test for Eagle Ford shale oil sourcing the porous Edwards Limestone reservoir. The first vertical well into the Edwards formation will be a conventional

test of a horst block with at least 800 feet of down to the platform throw and 500 feet of down to the basin throw along its 7 mile length. The area of interpreted mapped closure that will be the subject of the 3 well drilling program is 3,555 acres.

The budgeted cost of each vertical well into the Edwards Limestone reservoir is US\$500,000. Successful, productive Edwards Formation wells in South Texas average total production of approximately 170,000 bo from wells on 40 acre spacing having average porosity of 5% and a recovery factor of 10%.

The second conventional oil play contained within the leases the subject of the Presidio Oil Project is a shallow (3,000 foot) vertical test for oil in the high porosity and high permeability Olmos Sands Formation.

A vertical well of this kind is a straight forward attempt to move up-dip to production within a productive fault block. The area of the interpreted mapped closure is 1,834 acres. Porosity in the area averages 25%. The budgeted cost of each vertical well into the Olmos Sands Formation is US\$500,000.

1.4 Details of the Trinity Oil Project Acquisition Agreement

A summary of the material terms of the Acquisition Agreement relating to the Trinity Oil Project is set out below:

- (a) **(Conditions Precedent)**: As at the date of this Notice, Settlement remains conditional upon the satisfaction or waiver by the parties of the following conditions:
- (i) subject to the receipt of the ASX waivers contemplated by Section 1.4(d) below, the Company completing a non-renounceable rights issue to existing shareholders on the basis of eight (8) Shares for every one (1) Share held at an issue price of \$0.02 per Share (on a post-Consolidation basis), together with one (1) free attaching Option exercisable at \$0.02 each on or before 31 December 2021 for every three (3) new Shares applied for and issued, to raise up to approximately \$18,880,000 (**Rights Issue**). The minimum subscription under the Right Issue will be \$12,000,000. Subject to entry into a lead manager and broker mandate, it is proposed that CPS Capital Group Pty Ltd (ACN 088 055 636) (AFSL 294848) (**CPS Capital**) will act as lead manager and broker to the Rights Issue;
 - (ii) the parties obtaining all necessary approvals and consents from affected third parties for the assignment and transfer of the Trinity Oil Project;
 - (iii) the Company obtaining all necessary Shareholder approvals to give effect to the matters set out in the Acquisition Agreement pursuant to the *Corporations Act 2001* (Cth) (**Corporations Act**), ASX Listing Rules or any other law to allow the Company to lawfully complete the matters set out in the Acquisition Agreement including any approvals required by the Company to re-comply with the admission and quotation requirements of ASX, including without limitation:

- (A) ASX Listing Rule approval and, if required, approval for the purpose of the Corporations Act, for the issue of the Trinity Consideration Shares (as defined in Section 1.4(c)(i) below) to the Vendors (and/or their nominee/s);
 - (B) ASX Listing Rule approval and, if required, approval for the purpose of the Corporations Act, for the issue of the Shares and Options pursuant to the Rights Issue;
 - (C) ASX Listing Rule 11.1.2 approval authorising a change of nature and scale of activities of the Company;
 - (D) approval and execution of a consolidation of the capital of the Company (which at a minimum shall be on a 2:1 basis) which will result in the volume weighted average price of the Shares on the ASX being a minimum of \$0.02 per Share if the Shares are then trading below \$0.02 (**Consolidation**);
 - (E) election of directors of the Company as contemplated by Section 1.4(e) below; and
 - (F) such other approvals as may be identified as necessary as a result of the due diligence;
- (iv) the Company obtaining all necessary regulatory approvals pursuant to the Corporations Act, ASX Listing Rules or any other law on terms acceptable to the Company to allow the Company to lawfully complete the matters set out in the Acquisition Agreement, including, but not limited to, conditional approval for reinstatement of the Company's quoted securities to official quotation on ASX following Settlement on terms and conditions satisfactory to the Company; and
- (v) the parties obtaining all consents necessary to lawfully complete the matters set out in the Acquisition Agreement,
- (together, the **Trinity Conditions**).
- (b) (**End Date**): If the Trinity Conditions are not satisfied (or waived) on or before the date specified in the Trinity Conditions or in the absence of a date on or before 5:00pm (Perth time) on 31 March 2017, a party who is entitled to waive the Trinity Condition, or either party in respect of the Trinity Conditions that cannot be waived, may give notice to the other parties that the Acquisition Agreement will be at an end and the parties will be released from their future obligations under the Acquisition Agreement.
- (c) (**Consideration**): Subject to satisfaction or waiver of the Trinity Conditions, in consideration for the Vendors assigning and transferring the Trinity Oil Project to the Company, the Company will:
- (i) issue to the Vendors (and/or their nominee/s) 192,000,000 Shares (on a post-Consolidation basis) (**Trinity Consideration Shares**); and

- (ii) reimburse the Vendors (and/or their nominee/s) the amount of US\$990,000 for past expenditure incurred by the Vendors in respect of the Trinity Leases (**Trinity Reimbursement**),

(together the **Trinity Consideration**).

The Trinity Consideration will be paid at the same time that the Presidio Consideration Securities (as defined in Section 1.5(c)(i) below) and the Presidio Reimbursement (as defined in Section 1.5(c)(ii) below) are paid.

Schedule 4 to this Notice sets out the aggregate amount of consideration (on a post-Consolidation basis) that the Company will pay to the Vendors (and/or their nominee/s) for the Acquisitions.

- (d) (**ASX Waivers**): The Company shall undertake the following steps in connection with the Trinity Acquisition:
 - (i) apply for a waiver of ASX Listing Rule 7.11.3 to enable the Company to undertake the Rights Issue; and
 - (ii) apply for a waiver of ASX Listing Rule 2.1 (Condition 2) to permit the Company to raise funds at an issue price below \$0.20 in connection with the Company's proposed re-compliance with Chapters 1 and 2 of the ASX Listing Rules.
- (e) (**Board composition**): Within 90 days of Settlement, the directors of the Company will consist of four (4) persons consisting of:
 - (i) Tony Brennan;
 - (ii) Gary Steinepreis; and
 - (iii) two (2) independent directors nominated by the Vendors and notified to the Company (**Proposed Directors**). As at the date of this Notice, the Proposed Directors have not yet been notified to the Company by the Vendors.
- (f) (**Settlement**): Settlement of the Trinity Acquisition (**Settlement**) will occur on that date which is 10 business days after the satisfaction (or waiver) of the Trinity Conditions or such other date as agreed between the parties.
- (g) (**ORRI Revenue Royalty**): Subject to Settlement occurring and the requirements of the ASX Listing Rules, if the Company purchases or acquires, whether directly or indirectly, an interest in any further leases of oil and gas mineral rights within a 50 kilometre radius of the Trinity Leases (**Additional Leases**), such purchased Additional Leases will be made subject to and be burdened by an overriding 5% gross revenue royalty (**5% ORRI**) on industry standard terms in favour of the Vendors (and/or their nominees).
- (h) (**Option Placement**): The Company proposes to undertake a placement of up to 630,000,000 Options (on a post-Consolidation basis) at an issue price of \$0.00001 each, to raise up to \$6,300 (**Placement**) (Refer to Resolution 5 for further details). It is proposed that CPS Capital will be lead manager and broker to the Placement. The Company will pay CPS Capital a placement fee of 6.00% (plus GST) of the value of the Options, being \$378 (plus GST).

(i) **(Advisor Securities):** The Company proposes to issue the following securities to CPS Capital (and/or its nominee/s) at Settlement (on a post-Consolidation basis):

- (i) 25,000,000 Shares; and
- (ii) 25,000,000 Options exercisable at \$0.02 each on or before 31 December 2021,

(together the **Advisor Securities**).

1.5 Details of the Presidio Oil Project Acquisition Agreement

A summary of the material terms of the Presidio Oil Project Acquisition Agreement is set out below:

(a) **(Conditions Precedent):** As at the date of this Notice, the Acquisition Agreement remains conditional upon the satisfaction or waiver by the parties of the following conditions:

- (i) subject to the receipt of the ASX waivers contemplated by Section 1.5(d) below, the Company completing the Rights Issue;
- (ii) the parties obtaining all necessary approvals and consents from affected third parties for the assignment and transfer of the Presidio Oil Project;
- (iii) the Company obtaining all necessary Shareholder approvals to give effect to the matters set out in the Acquisition Agreement pursuant to the Corporations Act, ASX Listing Rules or any other law to allow the Company to lawfully complete the matters set out in the Acquisition Agreement including any approvals required by the Company to re-comply with the admission and quotation requirements of ASX, including without limitation:
 - (A) ASX Listing Rule approval and, if required, approval for the purpose of the Corporations Act, for the issue of the Presidio Consideration Securities (as defined in Section 1.5(c)(i) below) to the Vendors (and/or their nominee/s);
 - (B) ASX Listing Rule approval and, if required, approval for the purpose of the Corporations Act, for the issue of the Shares and Options pursuant to the Rights Issue;
 - (C) ASX Listing Rule 11.1.2 approval authorising a change of nature and scale of activities of the Company;
 - (D) approval and execution of the Consolidation; and
 - (E) such other approvals as may be identified as necessary as a result of the due diligence;
- (iv) the Company obtaining all necessary regulatory approvals pursuant to the Corporations Act, ASX Listing Rules or any other law on terms acceptable to the Company to allow the Company to lawfully complete the matters set out in the Acquisition Agreement, including, but not limited to, conditional

approval for reinstatement of the Company's quoted securities to official quotation on ASX following completion of the Trinity Acquisition on terms and conditions satisfactory to the Company; and

- (v) the parties obtaining all consents necessary to lawfully complete the matters set out in the Acquisition Agreement,

(Presidio Conditions).

- (b) **(End Date):** If the Presidio Conditions are not satisfied (or waived) on or before the date specified in the Presidio Conditions or in the absence of a date on or before 5:00pm (Perth time) on 31 March 2017, a party who is entitled to waive the Presidio Condition, or either party in respect of the Presidio Conditions that cannot be waived, may give notice to the other parties that the Acquisition Agreement will be at an end and the parties will be released from their future obligations under the Acquisition Agreement.

- (c) **(Consideration):** Subject to satisfaction or waiver of the Presidio Conditions, the Company shall pay and perform the following consideration in order to acquire or earn from the Vendors all right, title and interest in and to the Presidio Oil Project:

- (i) issue to the Vendors (and/or their nominee/s) (on a post-Consolidation basis):

- (A) 48,000,000 Shares (**Presidio Consideration Shares**); and

- (B) 240,000,000 performance rights which will vest upon average daily production (net to NHO) (pre-royalty) from the Presidio Oil Project in excess of 1,200 barrels of oil equivalent (boe) (**Performance Rights**). Any Performance Right that has not vested on or before 5.00pm WST on 31 December 2021 will automatically lapse,

(together the **Presidio Consideration Securities**);

- (ii) reimburse the Vendors (and/or their nominees) the amount of US\$460,000 for past expenditure incurred by the Vendors in respect of the Presidio Leases (**Presidio Reimbursement**); and

- (iii) discharge by performance each of the following obligations:

- (A) drill, as operator, on or before 31 March 2017 (or such later date as agreed between the parties), at a cost of at least US\$500,000, one vertical oil well on the Presidio Leases; and

- (B) drill, as operator, on or before 31 December 2017 (or such later date as agreed between the parties), at a cost of at least US\$1,000,000, two further vertical oil wells on the Presidio Leases,

(altogether the **Presidio Consideration**).

The Presidio Consideration Securities and Presidio Reimbursement will be paid at the same time that the Trinity Consideration Shares and the Trinity Reimbursement are paid, being the date that is 10 business days after the satisfaction (or waiver) of the Presidio Conditions or such other date as agreed between the Parties (**Issue Date**).

Schedule 4 to this Notice sets out the aggregate amount of consideration (on a post-Consolidation basis) that the Company will pay to the Vendors (and/or their nominee/s) for the Acquisitions.

- (d) **(ASX Waivers)**: The Company shall undertake the steps set out in Section 1.4(d) in connection with the Presidio Acquisition.
- (e) **(Settlement)**: Settlement of the Presidio Acquisition will occur on the date on which the Company discharges by performance those obligations set out in Section 1.5(c)(iii) above (as determined by the Company, acting reasonably) (**Presidio Settlement Date**).
- (f) **(Joint Venture)**: The Vendors and the Company shall be deemed to have formed an unincorporated joint venture on and from the Issue Date. The Company shall be the operator of the joint venture. Where a joint venture is formed, the parties will enter into the Model Form Joint Operating Agreement issued by the American Association of Professional Landmen.
- (g) **(Further Leases and Oil Wells)**: On and from the Presidio Settlement Date, any further purchase of oil and gas leases or drilling of oil wells on the Presidio Leases other than the wells to be drilled in accordance with Section 1.5(c)(iii) (**Further Leases and Oil Wells**) will be on a 'heads up' basis, being 70% to the cost of the Company and 30% to the cost of the Vendors (and/or their nominee/s). The Company will earn a NRI of 52.50% of 8/8ths (being 70% of a NRI of 75%) in all additional oil and gas leases or drilling of oil wells acquired or undertaken by the joint venture. The mineral rights owners and Vendors in aggregate will retain a gross revenue royalty, on industry standard terms, equal to 25% of the oil and gas produced or won from the Presidio Leases and from any Further Leases and Oil Wells acquired by the joint venture within a 50km radius of the Presidio Leases.
- (h) **(Option Placement)**: The Company proposes to undertake the Placement described in Section 1.4(h) above.
- (i) **(Advisor Securities)**: The Company proposes to issue the Advisor Securities described in Section 1.4(i) above.

1.6 Re-compliance with Chapters 1 and 2 of the Listing Rules

Given that the Company is proposing to make a change in its activities from a mineral exploration company to oil and gas exploration company, the Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules prior to the Company completing the Acquisitions.

For this purpose, the Company will be required to re-comply with the conditions to listing on ASX set out in Chapters 1 and 2 of the ASX Listing Rules in order to achieve Settlement and before it can be re-instated to trading on ASX following Settlement.

ASX Listing Rule 2.1 Condition 2 provides that it is a condition of quotation of the main class of a company's securities of an entity seeking admission to ASX that the issue price of the securities for which the company seeks quotation must be at least 20 cents in cash. In addition, ASX Listing Rule 1.1 Condition 11 provides that for an entity to be admitted to the official list, the exercise price for any options on issue must be at least 20 cents in cash.

On 2 December 2016, ASX granted the Company a waiver from the requirements outlined above to, among other things, enable the Company to issue securities under the Rights Issue for the purpose of satisfying ASX Listing Rule 2.1, Condition 2 at \$0.02 per Share, with all Options issued or to be issued having an exercise price of not less than \$0.02. This waiver is subject to Shareholders approving the Company undertaking the Rights Issue at \$0.02 and the issue of Options with an exercise price of \$0.02.

1.7 Capital Raising via Rights Issue

As set out in Sections 1.4(a) and 1.5(a) above, one of the conditions precedent to settlement of the Acquisitions is the completion of the Rights Issue (the subject of Resolution 4).

The Company is targeting a raising of between \$12,000,000 and \$18,880,000 through a Rights Issue which the Board believes will provide sufficient working capital to achieve the initial business objectives following the Acquisitions and set the Company up for growth and expansion.

The Company has set a minimum subscription of \$12,000,000 which is sufficient to meet the initial business objectives but is also seeking Shareholder approval for a maximum subscription of \$18,880,000.

Funds raised under the Rights Issue are intended to be used in the manner set out in Section 1.8 below. The effect of the Rights Issue on the Company of each of the minimum and maximum subscriptions is shown in the pro forma structures below in Section 1.9.

The Company expects to lodge a prospectus for the Rights Issue with ASIC in accordance with the indicative timetable set out in Section 1.11 below.

1.8 Use of funds

Following completion of the Trinity Acquisition, the Company expects to use its cash funds as follows:

Funds available	Minimum Subscription (\$12,000,000)	Percentage of Funds (%)	Maximum Subscription (\$18,880,000)	Percentage of Funds (%)
Existing cash reserves of the Company ¹	\$544,000	4.33%	\$544,000	2.80%
Funds raised from the Rights Issue	\$12,000,000	95.62%	\$18,880,000	97.17%
Funds raised from the Option Placement	\$5,180	0.04%	\$6,300	0.03%
Total	\$12,549,180	100.00%	\$19,430,300	100.00%

Allocation of funds	Total	Percentage of Funds (%)	Total	Percentage of Funds (%)
Completion of the acquisition of the Trinity Oil Project and the Presidio Oil Project	\$1,986,301	15.83%	\$1,986,301	10.22%
Operating costs, leasing costs and costs for the drilling of the wells on the Trinity Leases and Presidio Leases	\$7,196,977	57.35%	\$13,655,297	70.28%
Expenses associated with the Acquisitions ²	\$1,202,722	9.58%	\$1,625,522	8.37%
Working capital and general administration ³	\$2,163,180	17.24%	\$2,163,180	11.13%
TOTAL	\$12,549,180	100.00%	\$19,430,300	100.00%

Notes

- These funds represent existing cash held by the Company at 30 September 2016. The Company expects to incur costs within the ordinary course of its business which will diminish this amount prior to completion of the Trinity Acquisition.
- Refer to the table below for the itemised costs of the expenses associated with the Essential Resolutions:

Estimated Costs of Acquisition	Proposed minimum Capital Raising (\$12,000,000)	Proposed maximum Capital Raising (\$18,880,000)
Rights Issue fees	\$720,000	\$1,132,800
Notice of meeting preparation, reports, legal and meeting expenses	\$75,000	\$75,000
ASX Fees	\$80,000	\$90,000
ASIC Fees	\$2,350	\$2,350
Transaction management services and Due Diligence	\$125,000	\$125,000
Legal in Australia and USA, Accounting Reports, Technical Report and Title Report	\$155,372	\$155,372
Miscellaneous including printing costs	\$45,000	\$45,000
TOTAL	\$1,202,722	\$1,625,522

- 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.

The above tables are statements of current intentions as of the date of this Notice of Meeting. 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.

In the event the Company raises more than the minimum subscription of \$12,000,000 but less than the maximum subscription of \$18,880,000, the additional funds will be applied towards the expenses of the Rights Issue first and then equally towards acquiring more oil and gas leases and drilling additional oil wells.

On completion of the Rights Issue, the Board believes the Company will have sufficient working capital to achieve these objectives.

1.9 Effect on Capital Structure

On the basis that settlement of the Acquisitions occurs on the terms described above, the Company's capital structure will be as follows:

Shares	Minimum capital raising (\$12 million)	Maximum capital raising (\$18.88 million)
Shares currently on issue	236,000,000	236,000,000
Proposed 2:1 Consolidation	118,000,000	118,000,000
Proposed issue of Shares pursuant to Rights Issue	600,000,000	944,000,000
Proposed issue of Shares pursuant to the Acquisition of the Trinity Oil Project	192,000,000	192,000,000
Proposed issue of Shares pursuant to the Acquisition of the Presidio Oil Project	48,000,000	48,000,000
Proposed issue of Advisor Securities	25,000,000	25,000,000
Total Shares	983,000,000	1,327,000,000
Options	Minimum capital raising (\$12 million)	Maximum capital raising (\$18.88 million)
Options currently on issue	Nil	Nil
Proposed issue of Options pursuant to Rights Issue (Quoted exercisable at \$0.02 on or before 31 December 2021)	200,000,000	314,666,667
Proposed issue of Options under Placement (Unquoted exercisable at \$0.02 on or before the date 31 December 2021)	518,000,000 ¹	630,000,000
Proposed issue of Advisor Securities (Unquoted exercisable at \$0.02 on or before 31 December 2021)	25,000,000	25,000,000
Total Options – quoted and unquoted	743,000,000	969,666,667

Notes:

1. Scaled-back for compliance with ASX Listing Rule 1.1, Condition 1 and ASX Listing Rule 7.16 (refer to Resolution 5 for further details).

Performance Rights	Minimum capital raising (\$12 million)	Maximum capital raising (\$18.88 million)
Performance Rights currently on issue	Nil	Nil
Proposed issue of Performance Rights pursuant to the Acquisition of the Presidio Oil Project	240,000,000	240,000,000
Total Performance Rights	240,000,000	240,000,000

1.10 Pro Forma Balance Sheet

Set out in Schedule 1 is a pro forma balance sheet of the Company assuming that all Essential Resolutions have been passed, the Consolidation is completed and Settlement has occurred. The historical and pro-forma information is presented in an abbreviated form, insofar as it does not include all of the disclosure required by the Australian Accounting Standards applicable to annual financial statements.

1.11 Indicative timetable

The indicative timetable for completion of the proposed transaction is outlined below:

Event	Date
Company's Shares are suspended from Official Quotation on ASX	13 October 2015
Announcement of Acquisitions	5 January 2017
Due diligence on Acquisitions completion	5 January 2017
Dispatch Notice of Meeting seeking approval for, amongst other things, the Acquisitions	6 January 2017
General Meeting ASX notified whether Shareholder approval has been granted for the Consolidation	6 February 2017
The last day for trading in pre-Consolidation securities	7 February 2017
Date that securities commence trading on a deferred settlement (post-Consolidation) basis	8 February 2017
Last day to register transfers on a pre-Consolidation basis	9 February 2017

First day for the Company to send notice to each security holder of the change in their details of holdings	10 February 2017
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	15 February 2017
Last day for the Company to send notice to each security holder of the change in their details of holdings	
Last day to send new holding statements and enter securities into the holders' security holdings	
Lodgment of Prospectus with ASIC	16 February 2017
Notice sent to Shareholders	20 February 2017
Ex Date	21 February 2017
Record Date for determining Shareholder entitlements	22 February 2017
Prospectus sent out to Shareholders	27 February 2017
Last day to extend the Rights Issue	3 March 2017
Closing date of Rights Issue	9 March 2017
Securities quoted on a deferred settlement basis	10 March 2017
Notify ASX of under-subscriptions	14 March 2017
Issue date/Shares entered into Shareholders' security holdings Settlement of Trinity Oil Project Acquisition Issue of consideration securities for Presidio Oil Project	16 March 2017
Despatch of holding statements	16 March 2017
Re-quotation of securities on ASX (subject to NHO re-complying with Chapters 1 and 2 of the ASX Listing Rules and subject to ASX agreeing to reinstate NHO's securities to quotation)	Week commencing 3 April 2017

The above table is an indication only and is subject to change. Shareholders should also note that if Shareholder approval of the Acquisitions is obtained, the Company's securities will remain suspended until such time as the Company has satisfied Chapters 1 and 2 of the ASX Listing Rules.

1.12 Board intention if settlement of the Acquisitions occurs

In the event that the minimum subscription of the Rights Issue and Placement is obtained, the funds raised, together with the Company's existing cash reserves will be used to:

- (a) to complete the acquisition of the Trinity Oil Project and the Presidio Oil Project;
- (b) operating costs;

- (c) costs for the drilling of the wells on the Trinity Leases and Presidio Leases;
- (d) additional leasing costs;
- (e) general administration;
- (f) costs of the offer and acquisitions; and
- (g) otherwise contribute to the working capital of the Company.

It is intended to allocate the funds raised from the Capital Raising and existing cash reserves as set out in Section 1.8.

1.13 Advantages of the proposals in the Resolutions

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Essential Resolutions:

- (a) the Acquisitions represent an attractive investment opportunity for the Company to change its business focus;
- (b) the Acquisitions will provide the Company with the opportunity to increase the value of the Company;
- (c) the existing Board of Directors will source experienced oil and gas executives who will provide a new set of skills to guide the growth of the Company in the activities relevant to the new business; and
- (d) the Company may be able to raise funds at a higher price by way of share equity as a result of the Acquisitions in the future.

1.14 Disadvantages of the proposals in the Resolutions

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Essential Resolutions:

- (a) the Company will be changing the nature and scale of its activities to primarily be an oil and gas exploration company, which may not be consistent with the objectives of all Shareholders;
- (b) the Acquisitions, Rights Issue and Placement will result in the issue of Securities to the Vendors and new investors, which will have a dilutionary effect on the current holdings of Shareholders; and
- (c) there are additional risk factors associated with the change in nature of the Company's activities resulting from the Acquisitions. Some of the key risks are summarised in Section 1.15 below.

1.15 Key risks applicable to NHO

Shareholders should be aware that if the Acquisitions are approved and completed, the Company will be changing the nature and scale of its activities and will be subject to additional or increased risks arising from the Acquisitions. The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the

Company. Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Company's proposed Acquisitions is set out below.

Risks relating to the Change in Nature and Scale of Activities

(a) Re-Quotation of Shares on ASX

The Acquisitions constitute a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Securities on the ASX. Should this occur, the Securities will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(b) Dilution Risk

The Company currently has 236,000,000 Shares on issue (on a pre-Consolidation basis). On completion of the Acquisitions, the Company proposes to issue:

- (i) 240,000,000 Shares and 240,000,000 Performance Rights as part consideration for the Acquisitions;
- (ii) a maximum of 944,000,000 Shares and 314,666,667 Options under the Rights Issue;
- (iii) 25,000,000 Shares and 25,000,000 Options to CPS Capital (and/or its nominee/s); and
- (iv) a maximum of 630,000,000 Options under the Placement.

The capital structure upon completion of the Acquisitions is set out in Section 1.9.

The issue of Shares, Performance Rights and Options in connection with the Acquisitions will dilute the interests of existing Shareholders (assuming conversion of the Performance Rights and exercise of the Options). There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the development of the Projects.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Acquisitions and the Directors do not make any representation as to such matters.

(c) Liquidity Risk

On completion of the Acquisitions, the Company proposes to issue the Securities outlined in Section 1.9 above. The Directors understand that ASX may treat a portion of these Securities as restricted securities in accordance with Chapter 9 of the ASX Listing Rules. As a significant

number of the Company's Securities will be subject to escrow upon Settlement, there is an increased liquidity risk as a large portion of issued capital may not be able to be freely traded for a period of time.

(d) **Contractual Risk**

Pursuant to the Acquisition Agreements, the Acquisitions are subject to the fulfilment of certain conditions precedent as summarised in Sections 1.4(a) and 1.5(a) of this Notice.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Acquisition Agreements. There is a risk that all the conditions precedent may not be satisfied or waived. In this event the Company will continue to look for potential business acquisitions to take the Company forward. Further, if any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

Risks in respect of the Acquisitions

(a) **Title Risk**

Regarding oil and gas leaseholds in the USA, the Company will acquire Working Interests in oil and gas leaseholds from mineral rights owners. As existing lease terms expire, the Company will either let the lease lapse or seek to extend or renew the lease on the best possible commercial terms. Certain leases are, at the Company's election, capable of renewal or extension. There is no guarantee however that:

- (i) existing oil and gas leases can be renewed, extended or reacquired on expiry upon commercially acceptable terms; or
- (ii) leases on new areas can be acquired.

Title to oil and gas interests in any country are subject to geo-political, regulatory and sovereign risk as described below.

(b) **Geopolitical, Regulatory and Sovereign Risk**

Exploration for and development, exploitation, production and sale of oil and natural gas is subject to laws and regulations, including complex tax laws and environmental laws and regulations, employment law and other laws. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations could adversely affect the Company. Certain of these laws may have material penalties and fines for instances of non-compliance. In addition to governmental legal action, private parties may pursue legal actions to enforce these laws and regulations against industry participants.

The Company's assets are located in Texas in the the United States of America. As a result, they are subject to the environmental laws and regulatory requirements of that state and country.

Whilst the USA is considered to be politically stable the leases held by the Company may be effected by any changes in government policy or legislation.

Changes in government regulations and policies may also adversely affect the financial performance or the current and proposed operations generally of the Company. The ability to explore and develop oil and gas leases can be affected by changes in government regulations, policies or legislation in different jurisdictions, that are beyond the control of the Company and these changes may also adversely affect the financial performance or the current and proposed operations of the Company. In order to be compliant, certain permits, approvals, and certificates must be obtained and maintained and the cost of any of these may substantially increase from current levels.

(c) **Hydraulic Fracturing**

Public debate exists regarding the potential sub-surface and surface impacts of hydraulic fracturing, including concern about the impacts of hydraulic fracturing on drinking water. In addition, there are many regulatory requirements to be adhered to. Additionally, hydraulic fracturing requires large volumes of water (the availability and regulation of which may change over time) and there are costs associated with water disposal that may be required should the Company produce water in its wells.

As more impacts of hydraulic fracturing are fully understood, it may be subject to additional regulations or restrictions from local, state, or federal governmental authorities, resulting in increased compliance costs. Any modification to the current requirements may adversely impact the value of the Company's assets and future financial performance.

(d) **Exploration and Development Risks**

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to oil and gas leases and interests;
- (v) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production;
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual

hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient subsurface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future oil and gas leases or interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(e) **Commercialisation and infrastructure access**

The Company's potential future earnings, profitability and growth are likely to be dependent on the Company being able to commercialise any oil and gas reserves that may exist on the oil and gas leases in which the Company currently has an interest or that are acquired by the Company in the future. The ability of the Company to do so is further dependent on a number of factors, including matters which may be beyond the control of the Company.

Sales of oil and gas, if applicable, will be affected by the availability, terms and costs of transportation. The Company's ability to sell and market any oil and gas produced will be negatively affected should it be unable to secure adequate transportation and/or processing facilities. Further, access will depend on the proximity and capacity of pipelines and processing facilities. The Company may be required to develop its own pipeline infrastructure or secure access to third party pipeline infrastructure in order to deliver its product to customers and markets.

(f) **Oil and gas price fluctuations**

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

(g) **Environmental**

The operations and proposed activities of the Company on the Projects are subject to laws and regulations concerning the environment. As with most exploration projects, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration 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 cost and complexity of complying with applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable oil and gas resources.

Oil and gas operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. 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 waste 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.

(h) **Oil and gas estimates**

Oil and gas estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, oil reserves are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercial oil flow plans which may, in turn, adversely affect the Company's operations.

(i) **Capital intensive business risk**

The drilling of wells to discover whether there is oil or gas is a highly capital intensive business and will require the Company to raise capital in the future. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes, as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on favourable terms. Any additional equity financing will dilute shareholdings, and debt

financing, if available, may involve restrictions on financing and operating activities

(j) **International Operations**

International sales and operations are subject to a number of risks, including:

- (i) potential difficulties in enforcing agreements and collecting receivables;
- (ii) potential difficulties in protecting intellectual property;
- (iii) increases in costs for transportation and shipping; and
- (iv) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition in respect of the Projects.

(k) **Commodity Price Volatility and Exchange Rate Risks**

If the Projects achieve success leading to oil and gas production, the revenue the Company 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 oil and gas, technological advancements, forward selling activities and other macro-economic factors.

General Risks Relating to the Company

(a) **Additional Requirements for Capital**

The funds raised under the Rights Issue are considered sufficient to meet the immediate objectives of the Company. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement the Company's business plans or to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which may be incurred. If such events occur, additional funding will be required.

Following the Acquisitions, the Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for these activities or future projects may result in delay or indefinite postponement. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable and might involve substantial dilution to Shareholders.

(b) **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on the performance of the Company or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner.

(c) **Trading Price of Shares**

The Company's operating results, economic and financial prospects and other factors will affect the trading price of the Shares. In addition, the price of Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the performance of the Australian dollar and United States dollar on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a

diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

(d) **Litigation Risks**

The Company is exposed to possible litigation risks including contractual disputes, 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. At the date of this Notice, neither the Company nor the Vendors are currently engaged in any litigation in relation to the activities of the Company or the Projects.

(e) **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's securities 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) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

(f) **Force Majeure**

The Company, 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, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(g) **Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, projects and/or other projects that are complementary to the projects being acquired. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies and projects, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements.

(h) **Insurance**

Insurance against all risks associated with oil and gas production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs. However, the Company will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(i) **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 Acquisitions. The capacity of the new management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

Investment speculative

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 risk factors, and others not specifically referred to above, may materially affect the future financial performance of the Company and the value of the Company's Securities.

1.16 Composition of the Board of Directors

In accordance with the terms of the Acquisition Agreements, within 90 days of Settlement Carl Coward will resign as a Director and it is intended that two other independent directors, nominated by the Vendors, will be appointed within 90 days of Settlement.

Summaries of the background and experience of Mr Tony Brennan and Mr Gary Steinepreis, who will retain their positions as Directors post Settlement, can be found in the Company's Annual Report for the financial year ended 30 June 2016, available from the Company's ASX platform (ASX: NHO).

1.17 Plans for the Company if the Resolutions are not passed

If the Essential Resolutions are not passed and the Acquisition Agreements are not completed, the Company will not proceed with the Acquisitions and will continue to seek to identify potential business acquisitions to take the Company forward.

1.18 Directors' interests in the Acquisitions

None of the Company's existing Directors have any interest in the Acquisitions. Details of the Company's existing Directors' interests in Shares are set out below as detailed in the Company's 2016 Annual Report and adjusted to be on a post-Consolidation basis:

Director	Shares on a post-Consolidation basis
Anthony Brennan ¹	13,225,760
Gary Steinepreis ²	10,040,998
Carl Coward	7,983,363

Notes

¹ Comprising interests held by Brennan Super (WA) Pty Ltd <AT Brennan SuperFund A/C>, Delta Enterprises Australia Pty Ltd and Julie Ann Brennan.

² Comprising interests held by Gary Steinepries, LeisureWest Consulting Pty Ltd <LeisureWest Trust A/C >, Oakhurst Enterprises Pty Ltd, Jacqueline Steinepreis, Ascent Capital Pty Ltd, Ascent Capital Holdings Pty Ltd and Ascent Minerals Pty Ltd.

1.19 Vendors

No Vendor is a related party of the Company. JDK Nominees Pty Ltd <Kenny Capital A/C> is an existing shareholder of the Company holding 10,000,000 Shares on a pre-consolidation basis which is 4.24% of the capital of the Company.

1.20 Conditionality of Resolutions

Each of the Essential Resolutions is conditional upon the approval by Shareholders of all Essential Resolutions. If an Essential Resolution is not approved, none of them will take effect and the Company will not proceed with the Acquisitions.

1.21 Directors' recommendation

Each Director recommends that Shareholders vote in favour of each of the Resolutions (other than in respect of any Resolution which that Director has a material personal interest in) and considers the Acquisitions to be beneficial to Shareholders because of the advantages set out in Section 1.13.

1.22 Petroleum resource estimates

In accordance with ASX Listing Rule 5.42, the Company confirms that the hydrocarbon reserves information contained in this Notice in relation to the Trinity Oil Project and Presidio Oil Project is based on, and fairly represents, information and supporting documentation prepared by qualified petroleum reserves and resources evaluators. The estimates have been approved by Mr Lloyd B. Branum, Senior Vice President of Ralph E. Davis Associates, LLC. Mr Branum holds a B.Sc degree in Petroleum Engineering from the University of Missouri, is a Licensed Professional Engineer by the State of Texas (License Number 42019) and has forty three years' experience in the petroleum industry of which over thirty years' experience are in the conduct of evaluation and engineering studies relating to both domestic U.S. oil and gas fields and international energy assets. Mr Branum is a licensed member of the Texas Board of Professional Engineers. Mr Branum is not an employee of the Company and consented in writing to the inclusion of the hydrocarbon reserves information in the form and context in which it appears in this Notice.

2. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

2.1 General

Resolution 1 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company to change the focus of the Company's activities into oil and gas exploration.

As outlined in Section 1.2 of this Explanatory Statement, the Company has entered into the Acquisition Agreements which set out the terms upon which the Company will acquire the Projects.

A description of the Trinity Oil Project and the Presidio Oil Project is outlined in Section 1.3 above.

A summary of the terms and conditions of the Acquisition Agreements is set out in Sections 1.4 and 1.5.

Resolution 1 is subject to the passing of the Essential Resolutions.

Additionally, Resolution 1 seeks approval to issue Shares pursuant to the Rights Issue upon re-compliance at an issue price of not less than \$0.02 per Share.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the Notice; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

Given the change in the nature and scale of the Company's activities upon completion of the Acquisitions, the Company is required to obtain Shareholder approval.

Accordingly, the Company is seeking Shareholder approval pursuant to Resolution 1 for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

The proposed change in the nature and scale of the Company's activities will require the Company to (in accordance with ASX Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including any ASX requirement to treat the Securities as restricted securities). The Securities of the Company are currently suspended from trading. If the Essential Resolutions are approved at the Meeting, it is expected that the Securities will remain suspended from quotation until the Company has completed the Acquisitions and re-complied with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If any Essential Resolution is not approved at the Meeting, the Acquisitions will not proceed.

2.3 Guidance Note 12

Recent changes to Guidance Note 12 alter ASX's policy in relation to the application of the "20 cent rule" to re-compliance listings. Previously a company had to be re-instated to the Official List of the ASX at an issue price of 20 cents per share as part of compliance with Chapters 1 and 2 of the ASX Listing Rules. Guidance Note 12 states that this issue price can now be below 20 cents when an entity's securities have been trading on ASX at less than 20 cents. ASX will consider a request not to apply the 20 cent rule provided the issue price or sale price for any securities being issued or sold as part of, or in conjunction with, the transaction:

- (a) is not less than \$0.02 each; and
- (b) is specifically approved by security holders as part of the approval obtained under Listing Rule 11.1.2; and
- (c) ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy Listing Rules 1.1 condition 1 and 12.5 (appropriate structure for a listed entity).

On 2 December 2016, ASX granted the Company a waiver from the requirements outlined above to, among other things, enable the Company to issue Shares under the Rights Issue for the purpose of satisfying ASX Listing Rule 2.1, Condition 2 at \$0.02 per Share, with all Options issued under the Rights Issue and in connection with the Acquisitions having an exercise price of not less than \$0.02. This waiver is subject to Shareholders approving the Company undertaking the Rights Issue at \$0.02 and the issue of Options with an exercise price of \$0.02. For this reason, the Company is seeking Shareholder approval for the Company to issue Shares upon re-compliance at an issue price of not less than \$0.02 per Share and issue Options with an exercise price of not less than \$0.02, as part of the approvals sought under ASX Listing Rule 11.1.2.

3. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

3.1 Background

The Company proposes to undertake the Consolidation to consolidate the numbers of Shares on issue on a 1 for 2 basis.

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and to seek to comply with relevant ASX Listing Rules as part of the back-door listing when the Company seeks to obtain re-quotations of its Shares on ASX, should Shareholder approval be obtained for the Essential Resolutions.

The Directors intend to implement the Consolidation prior to completion of the Acquisitions and prior to the proposed issues of Securities pursuant to the Resolutions, but the Consolidation will only occur if Shareholders approve all Essential Resolutions.

Resolution 2 is subject to the passing of the Essential Resolutions.

3.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

The ASX Listing Rules also require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio. There are currently no Options or other convertible securities on issue.

3.3 Fractional entitlements

Not all Shareholders will hold that number of Shares which can be evenly divided by 2. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share.

3.4 Taxation

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and the Company, the Directors and their advisers do not accept any responsibility for the individual taxation implications arising from the Consolidation or the other Resolutions.

3.5 Holding statements

From the date of the Consolidation, all holding statements for previously quoted Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares proposed to be quoted to be issued to holders of those Securities.

It is the responsibility of each Shareholder to check the number of Shares held prior to disposal.

3.6 Effect on capital structure

The estimated effect which the Consolidation will have on the capital structure of the Company is set out in the table in Section 1.9.

3.7 Indicative timetable

If Resolution 2 and each Essential Resolution are passed, the Consolidation of capital is proposed to take effect in accordance with the timetable set out in Section 1.11 (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules).

4. RESOLUTION 3 – APPROVAL OF ISSUE OF CONSIDERATION TO ACQUIRE THE PROJECTS

4.1 Background

As outlined in Sections 1.4 and 1.5, the Company has entered into the Acquisition Agreements pursuant to which the Company will, amongst other things and subject to Shareholder approval, issue Securities to the Vendors (and/or their nominees) as part consideration for the acquisition of the Projects.

Resolution 3 seeks Shareholder approval for the purpose of ASX Listing Rule 7.1 to allow the Company to issue:

- (a) 240,000,000 Shares (on a post-Consolidation basis) to the Vendors (and/or their nominee/s); and
- (b) 240,000,000 Performance Rights (on a post-Consolidation basis) to the Vendors (and/or their nominee/s) (including Shares issued on conversion of the Performance Rights, if the Milestone is achieved),

(together, the **Consideration Securities**).

A summary of the material terms and conditions of the Acquisition Agreements is set out in Sections 1.4 and 1.5.

Details of the proposed distribution of the Consideration Securities between the Vendors is set out in Schedule 4.

Resolution 3 is subject to the passing of all other Essential Resolutions.

4.2 ASX approval pursuant to ASX Listing Rule 6.1

ASX Listing Rule 6.1 provides that the terms that apply to each class of equity security must, in ASX's opinion, be appropriate and equitable.

The Company has sought ASX approval for the issuance of the Performance Rights required under ASX Listing Rule 6.1.

4.3 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

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

4.4 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Consideration Securities:

- (a) the maximum number of Securities to be issued is:
 - (i) 240,000,000 Shares (on a post-Consolidation basis); and
 - (ii) 240,000,000 Performance Rights (on a post-Consolidation basis) (including Shares issued on conversion of the Performance Rights, if the Milestone is achieved);
- (b) the Shares and Performance Rights will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules)

and it is intended that issue of the Shares and Performance Rights will occur on the same date;

- (c) the Shares and Performance Rights will be issued for nil cash consideration as they are being issued as part consideration for the Acquisitions;
- (d) the Shares and Performance Rights are proposed to be issued to the Vendors (and/or their nominees) in accordance with the table set out in Schedule 4. None of the Vendors are related parties or Substantial Shareholders or promoters of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares on issue;
- (f) the Performance Rights will be issued on the terms and conditions set out in Schedule 3; and
- (g) no cash funds will be raised from the issue of the Shares or the Performance Rights as they are being issued as part of the consideration for the acquisition of the interests in the Trinity Oil Project and the Presidio Oil Project.

5. RESOLUTION 4 – APPROVAL OF RIGHTS ISSUE

5.1 Background

As noted in Section 1, the Company is, following the completion of the Consolidation, proposing to undertake a pro rata non-renounceable rights issue (**Rights Issue** or **Offer**) of eight (8) Shares for every one (1) Share held by eligible Shareholders at the record date at an issue price of \$0.02 per Share (on a post-Consolidation basis), together with one (1) free attaching Option exercisable at \$0.02 each on or before 31 December 2021 for every three (3) new Shares applied for and issued, to raise up to approximately \$18,880,000 (**Rights Issue**). The minimum subscription under the Right Issue will be \$12,000,000.

5.2 ASX Listing Rule 7.11.3

ASX Listing Rule 7.11.3 provides that the ratio of securities offered for a pro rata issue must not be greater than 1 for 1 unless the offer is renounceable and the issue price is not more than the average market price for the securities calculated over the last 5 days on which sales in the securities were recorded before the date on which the pro rata issue was announced.

The Company has obtained a waiver from the requirements of ASX Listing Rule 7.11.3 to enable it to undertake the Rights Issue on the terms set out above (**ASX Waiver**). It is a condition of the ASX Waiver that Shareholders approve the Rights Issue. Resolution 4 seeks this approval.

Resolution 4 is subject to all other Essential Resolutions being approved by Shareholders.

As the Company is currently suspended from trading, it was not able to make the Offer renounceable as it is not possible for Shareholders to trade the rights that would be issued under a renounceable offer. As such, the Offer is being made on a non-renounceable basis.

5.3 Rights Issue terms

The Company proposes to conduct the Rights Issue to raise up to approximately \$18,880,000 (before costs of the Offer), at an issue price of \$0.02 per Share (on a post-Consolidation basis). Eligible Shareholders may subscribe for 8 new Shares for every one Share held as at the record date (on a post-Consolidation basis), together with one (1) free attaching Option exercisable at \$0.02 each on or before 31 December 2021 for every three (3) new Shares applied for and issued.

The terms of the Rights Issue will be contained in a prospectus to be lodged with ASIC and ASX in accordance with the indicative timetable set out in Section 1.11 (**Prospectus**).

The proposed use of funds raised under the Rights Issue is set out in Section 1.8. Further details will be set out in the Prospectus.

The Directors are of the view that the Rights Issue will provide the most certain outcome for the Company in the present circumstances and is preferable to allow the Company's existing Shareholders the opportunity to participate in the funding of the Company and maintain their percentage interest.

The Directors consider that the Rights Issue must be on an 8 for 1 basis to enable sufficient funds to be raised to provide it with funds to continue its proposed oil and gas exploration activities in Texas, USA. A raising of 1 for 1 or less is considered insufficient to meet this objective.

Eligible Shareholders who do not take up their full entitlement will not receive any value in respect of that part of their entitlement they do not take up. Shareholders who are not eligible to participate in the Rights Issue will not receive any value in respect of entitlement they would have received had they been eligible.

5.4 Condition of the Rights Issue

The Rights Issue is conditional upon Shareholders approving the Rights Issue. This is the subject of Resolution 4. In accordance with the ASX Waiver, the Company will disregard any votes cast by Substantial Holders of the Company, any underwriter, sub-underwriter, broker or manager to the Rights Issue, and the associates of each of those persons.

The minimum subscription under the Rights Issue is \$12,000,000. The Directors have the right to place the shortfall at their discretion. No person's voting power in the Company may increase to 20% or more as a result of the issue of the Shares the subject of the Notice of Meeting.

If Shareholders do not approve the Rights Issue, the Rights Issue will not proceed and the Company will refund all application money received (without interest) in accordance with the Corporations Act.

5.5 Underwriting

The Offer will not be underwritten.

5.6 Shortfall Facility

In addition to the Rights Issue, there will be a separate and independent offer of any shortfall from the Rights Issue made pursuant to the Prospectus. Both existing

Shareholders and other investors who are not currently Shareholders may apply for Shortfall Shares under the shortfall offer.

Further details of the shortfall offer (including possible effects on control of the Company and dilution to Shareholders) will be contained in the Prospectus.

5.7 Capital Structure

The effect of the Rights Issue on the capital structure of the Company is set out in the table in Section 1.9.

5.8 Timetable

An indicative timetable for the Offer is set out in Section 1.11.

5.9 Issue price of new Shares

Shares under the Rights Issue will be offered at an issue price of \$0.02 per Share (on a post-Consolidation basis), together with one (1) free attaching Option exercisable at \$0.02 each on or before 31 December 2021 for every three (3) new Shares applied for and issued.

5.10 Terms of the Shares and Options

The new Shares offered under the Rights Issue will be fully paid ordinary shares in the capital of the Company. A summary of the rights and liabilities attaching to new Shares offered under the Rights Issue will be set out in the Prospectus. The terms and conditions of the Options are contained in Schedule 3.

5.11 Persons to whom new Shares and Options will be issued

New Shares and Options under the Rights Issue will be issued to:

- (a) eligible Shareholders who take up their entitlements (either in full or in part);
- (b) Shareholders who apply for additional Shares and Options (in the event of shortfall in application due to other Shareholders not taking up their entitlements); and
- (c) other investors identified by the Company and CPS Capital (in the event of a shortfall arising due to Shareholders not taking up their entitlements).

5.12 Possible advantages of Resolution 4

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 4:

- (a) the Company needs to raise funds to restructure the Company's balance sheet and to ensure that the Company can complete the Acquisitions and satisfy ASX's condition for reinstatement to the Official List of the ASX. The Directors are of the view that the Rights Issue will provide the most certain outcome for Shareholders in the circumstances. If the Rights Issue does not proceed, the Acquisitions will not proceed and the Directors will need to investigate other options for the Company;

- (b) completion of the Rights Issue will enable the Company to be better placed to generate Shareholder value moving forward. The Rights Issue offers Shareholders the opportunity to maintain their percentage interest in the Company and share in any upside of the Company moving forward. However, the Company and the Directors cannot give any assurances as to the price at which Shares will trade on completion of the Rights Issue and reinstatement to ASX, or the future performance of the Company generally;
- (c) the funds raised from the Rights Issue will enable the Company to complete the Acquisitions and undertake the proposed exploration activities on the Trinity Oil Project and the Presidio Oil Project; and
- (d) it is expected that if the Rights Issue is successfully implemented, and subject to ASX's discretion and compliance with all conditions applied to the Company's reinstatement, trading of the Company's Securities on ASX will recommence. If the Rights Issue, and therefore the Acquisitions, do not complete, the Directors will need to investigate other options for the Company.

5.13 Possible disadvantages of Resolution 4

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 4:

- (a) on completion of the issues the subject of the Essential Resolutions the number of Shares on issue will increase from 118,000,000 (on a post-Consolidation basis) to 1,062,000,000 assuming maximum subscription under the Rights Issue, no Options are exercised prior to the record date and no other Shares are issued. This means that each Share will represent a significantly lower proportion of the ownership of the Company and Shareholders who do not take up their entitlement in the Rights Issue will have a substantially diluted percentage shareholding in the Company; and
- (b) if Resolution 4 is passed, and the Rights Issue proceeds, Shareholders will have to consider whether to take up their entitlements under the Rights Issue. Further details of the risks associated with an investment in the Company will be set out in the Prospectus.

5.14 Other material information

Except as set out in this Notice of Meeting, in the opinion of the Directors', there is no other information material to the making of a decision in relation to the Rights Issue, being information that is within the knowledge of any Director, which has not previously been disclosed to Shareholders.

5.15 Directors' recommendation and intention

Having regard to all the considerations set out in this Notice of Meeting, the Directors consider that, in the absence of a superior proposal, the expected advantages of the Rights Issue outweigh its potential disadvantages and risks.

After considering all these factors, in the absence of a superior proposal, the Directors recommend that Shareholders vote in favour of Resolution 4 to approve the Rights Issue. The recommendations are based on the reasons outlined in Section 5.12.

The Directors have an interest in the Company's Shares as the date of this Notice of Meeting as detailed in Section 1.18.

Shareholders should be advised that if Resolution 4 is not passed by the required majority and the Rights Issue does not proceed, the Acquisitions will not proceed and the Directors' will need to investigate other options for the Company.

6. RESOLUTION 5 – ISSUE OF OPTIONS UNDER PLACEMENT

6.1 General

Resolution 5 seeks Shareholder approval for the issue of up to 630,000,000 Options pursuant to the Placement, as detailed in Section 1.4(h).

The Options under the Placement will be exercisable at \$0.02 each on or before 31 December 2021 and will be issued at Settlement. In the event that the number of Options to be issued under the Placement would breach the ASX Listing Rules (including, but not limited to, ASX Listing Rule 1.1, Condition 1), the number of Options to be issued under the Placement shall be scaled-back.

A summary of ASX Listing Rule 7.1 is set out in Section 4.3 above.

The effect of Resolution 5 will be to allow the Company to issue the Options pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Option pursuant to the Placement:

- (a) the maximum number of Options to be issued is 630,000,000 (on a post-Consolidation basis);
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) the Options will be issued at an issue price of \$0.00001 per Option to raise up to \$6,300 cash (on a post-Consolidation basis);
- (d) the Options will be issued to sophisticated or professional investors pursuant to sections 708(8) and 708(11) of the Corporations Act. No Options will be issued to related parties of the Company;
- (e) the Options will be issued on the terms and conditions set out in Schedule 3; and
- (f) The funds raised from the issue of the Options will form part of working capital.

7. RESOLUTION 6 – ISSUE OF ADVISOR SECURITIES

7.1 General

Resolution 6 seeks Shareholder approval for the issue of 25,000,000 Shares and 25,000,000 Options (**Advisor Securities**) to CPS Capital (and/or its nominee/s) in consideration for their role in the fund raising for the Acquisitions and assisting with its implementation.

A summary of ASX Listing Rule 7.1 is set out in Section 4.3 above.

The effect of Resolution 6 will be to allow the Company to issue the Advisor Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Advisor Securities:

- (a) the maximum number of Securities to be issued is:
 - (i) 25,000,000 Shares (on a post-Consolidation basis); and
 - (ii) 25,000,000 Options (on a post-Consolidation basis);
- (b) the Advisor Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Advisor Securities will occur on the same date;
- (c) the Advisor Securities will be issued for nil cash consideration in consideration for CPS Capital's role in the fund raising for the Acquisitions and assisting with its implementation;
- (d) the Advisor Securities will be issued to CPS Capital (and/or its nominee/s), none of whom will be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Options will be issued on the terms and conditions set out in Schedule 3; and
- (g) no funds will be raised from the issue of the Advisor Securities as the securities are being issued in consideration for the reasons set out in Section 7.2(c) above.

8. RESOLUTION 7 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 7 seeks the approval of Shareholders for the Company to change its name to "Helios Energy Ltd". The Board proposes this change of name on the basis that it more accurately reflects the proposed operations of the Company

upon Settlement.

If Resolution 7 is passed the change of name will take effect after ASIC alters the details of the Company's registration. It is note the change of name is conditional on completion of the Trinity Acquisition occurring.

If Resolution 7 is passed, the Company will lodge a copy of the special resolution with ASIC following Settlement in order to effect the change.

The proposed name has been reserved by the Company and if Resolution 7 is passed, the Company will lodge a copy of the special resolution with ASIC on Settlement in order to effect the change.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

GLOSSARY

\$ means Australian dollars.

Acquisitions has the meaning given in Section 1.2.

Acquisition Agreements has the meaning given in Section 1.2.

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules means the Listing Rules of ASX.

ASX Waiver has the meaning given in Section 5.2.

Board means the current board of directors of the Company.

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

Chair means the chair of the Meeting.

Company or **NHO** means New Horizon Coal Ltd (to be renamed "Helios Energy Ltd") (ACN 143 932 110).

Consideration Securities means the 240,000,000 Shares and 240,000,000 Performance Rights to be issued to the Vendors (and/or their nominees) in part consideration for the Acquisitions, pursuant to the Acquisition Agreements, as detailed in Schedule 4.

Consolidation has the meaning given in Section 1.4(a)(iii)(D).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Essential Resolutions means the inter-conditional resolutions in this Notice, being Resolutions 1 to 6 (inclusive).

General Meeting or **Meeting** means the meeting convened by the Notice.

Milestone means the performance milestone attaching to the Performance Rights as detailed in paragraph (a) of Schedule 2 to this Notice.

Net Revenue Interest or **NRI** means the share of production in an oil and gas lease after all burdens, such as royalty and overriding royalty, have been deducted from the Working Interest. It is the percentage of production that each party actually receives.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Official List means the official list of ASX.

Option means an option to acquire a Share on the terms and conditions set out in Schedule 3.

Optionholder means a holder of an Option.

Performance Right means a right to acquire a Share, subject to satisfaction of the Milestone on the terms and conditions set out in Schedule 2.

Placement has the meaning given in Section 1.4(h).

Presidio Oil Project has the meaning given in Section 1.2.

Projects means the Trinity Oil Project and Presidio Oil Project.

Prospectus means the prospectus to be issued by the Company in connection with the Rights Issue.

Proxy Form means the proxy form accompanying the Notice.

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

Rights Issue has the meaning given in Section 1.4(a)(i).

Section means a section of this Notice.

Securities means Shares, Options and any other securities issued by the Company.

Settlement means completion of the Trinity Acquisition as described in Section 1.4(f).

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

Shareholder means a registered holder of a Share.

Substantial Holder has the meaning given in the ASX Listing Rules.

Trinity Oil Project has the meaning given in Section 1.2.

Vendor has the meaning given in Section 1.2.

Working Interest means the percentage of ownership in an oil and gas lease granting its owner the right to explore, drill and produce oil and gas from a tract of property. Working interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating a well or unit.

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

SCHEDULE 1 – PROFORMA BALANCE SHEET

(a) **Introduction**

This Schedule 1 sets out the Historical Financial Information and Proforma Financial Information. The basis for preparation and presentation is set out below.

The Financial Information has been prepared by management and adopted by the Directors of the Company.

(b) **Basis of Preparation**

The Historical Financial Information and Proforma Financial Information has been prepared in accordance with the measurement and recognition criteria of Australian Accounting Standards and the significant accounting policies on the assumption that the proposed acquisition occurred on 30 September 2016.

The accounting policies comply with Australian Equivalents to International Financial Reporting Standards (**AIFRS**) which ensures compliance with International Financial Reporting Standards (**IFRS**). The Historical and Proforma Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

The Company's financial statements for the year ended 30 June 2016 have been audited by BDO (Perth).

The Historical Financial Information of the consolidated group provided in this Notice of Meeting comprises a Proforma consolidated balance sheet as at 30 September 2016, which is based upon:

- (a) the Company's unaudited balance sheet as at 30 September 2016 (the **Historical Financial Information**); and
- (b) relevant Proforma adjustments required to present the consolidated group, (together with the Historical Financial Information, the **Proforma Financial Information**).

The information in this Schedule 1 is presented on a Proforma basis only, and as a result it is likely that this information will differ from the actual financial information for the consolidated group as at completion of the proposed acquisition.

(c) **Proforma Financial Information**

This Section contains the Proforma Financial Information reflecting the combined business of the Company and the acquisition of the assets being the Trinity Project and the Presidio Project. The Proforma Financial Information is presented to provide shareholders with an indication of the consolidated group's consolidated financial position as if the proposed acquisition had been implemented as at 30 September 2016.

As the proposed acquisition, if implemented, will be effected at a future date, the actual financial position of the consolidated group post completion will differ from that presented below. References to notes in the table presented below refer to the notes to Proforma adjustments set out below. The A\$ to US\$ exchange rate of 0.73 has been used.

New Horizon Coal Ltd
Proforma balance sheet

30-Sep-16 A\$/US\$ 0.73

MAXIMUM CAPITAL RAISING

	NHO 30-Sep-16	NHO equity adjustments	Trinity	Presidio	Capital raising	Option placement	Prospectus, deal and Broker fees	Total Proforma
ASSETS	\$	\$	\$	\$	\$	\$	\$	\$
Current assets								
Cash and cash equivalents	544,000							544,000
- Capital raising					18,880,000	6,300		18,886,300
- Trinity US\$990,000			(1,356,164)					(1,356,164)
- Presidio US\$460,000				(630,137)				(630,137)
- Prospectus and capital raising costs					(1,132,800)	(378)	(492,344)	(1,625,522)
Total current assets	544,000	0	(1,356,164)	(630,137)	17,747,200	5,922	(492,344)	15,818,477
Non current assets								
Oil and gas project acquisition								
- Trinity-192,000,000 shares			3,840,000					3,840,000
- Trinity US\$990,000			1,356,164					1,356,164
- Presidio-48,000,000 shares				960,000				960,000
- Presidio US\$460,000				630,137				630,137
Total non current assets	0	0	5,196,164	1,590,137	0	0	0	6,786,301
Total assets	544,000	0	3,840,000	960,000	17,747,200	5,922	(492,344)	22,604,778
LIABILITIES								
Current liabilities								
Trade and other payables	(24,000)	(25,000)						(49,000)
Total current liabilities	(24,000)	(25,000)	0	0	0	0	0	(49,000)
Total liabilities	(24,000)	(25,000)	0	0	0	0	0	(49,000)
NET ASSETS	520,000	(25,000)	3,840,000	960,000	17,747,200	5,922	(492,344)	22,555,778
EQUITY								
Contributed equity	(20,372,705)							(20,372,705)
- Capital raising					(18,880,000)			(18,880,000)
- Trinity-192,000,000 shares			(3,840,000)					(3,840,000)
- Presidio-48,000,000 shares				(960,000)				(960,000)
- Prospectus and capital raising costs					1,132,800	378	492,344	1,625,522
Reserves	(2,166,104)	2,166,104						0
- Option premium						(6,300)		(6,300)
								0
Accumulated losses	22,018,809	(2,141,104)						19,877,705
TOTAL EQUITY	(520,000)	25,000	(3,840,000)	(960,000)	(17,747,200)	(5,922)	492,344	(22,555,778)

Notes:

Presidio performance rights have not been valued at this stage. This will be done on completion

The broker fees are recorded at an expense of the Offer

Acquisition and Prospectus fees estimated at 2.5% of the capital raising

New Horizon Coal Ltd
Proforma balance sheet

30-Sep-16

A\$/US\$

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Notes:

Presidio performance rights have not been valued at this stage. This will be done on completion

The broker fees are recorded at an expense of the Offer

Acquisition and Prospectus fees estimated at 2.5% of the capital raising

(d) **Notes to the Proforma adjustments**

The following Proforma adjustments to the Historical Financial Information have been made in the compilation of the Proforma Financial Information, including the adjustments to reflect the impact of acquisition accounting and certain transactions and/or events post 30 September 2016.

Note 1: NHO equity adjustments represents the cancellation of options post 30 September 2016 and initial transactions costs.

Note 2: The Trinity and Presidio adjustments relate to the settlement of the proposed Acquisitions. 240,000,000 Performance Rights are to be issued as part of the transaction. These have but not been included in the Proforma as the expense will be incurred in subsequent periods.

Note 3: The Proforma Financial Information details two scenarios:

- (a) that eligible Shareholders subscribe for the minimum amount under the Rights Issue. This adjustment reflects the net impact of a proposed \$12 million capital raising less transaction costs.
- (b) that eligible Shareholders subscribe for the maximum amount under the Rights Issue. This adjustment reflects the net impact of a proposed \$18.88 million capital raising less transaction costs.

Note 4: The Proforma Financial Information includes the issue of Shares to CPS Capital (and/or their nominee/s) (**Advisor**) as part of the cost of the Offers. The Options to be issued to the Advisor have not been valued but would be an additional expense of the Offers.

Note 5: The Proforma does not include continued working capital for the period from 1 October 2016 to settlement being general working capital.

SCHEDULE 2 – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

The terms of the Performance Rights are set out as follows:

- (a) **(Milestone)**: The Performance Rights will have the following milestone attached to them:
- (i) the average daily production (net to the Company) (pre-royalty) from the leases that comprise the Presidio Oil Project in Presidio County, Texas USA in excess of 1,200 barrels of oil equivalent (boe) **(Milestone)**.
- The Company shall engage and pay for an independent petroleum reservoir engineer to determine the average daily production (net to the Company) (pre-royalty) from the leases that comprise the Presidio Oil Project in Presidio County, Texas USA at least once a year and in any event 30 days prior to the date of lapse of the Performance Rights in accordance with paragraph (g).
- (b) **(Notification to holder)**: NHO shall notify the holder in writing when the Milestone has been satisfied.
- (c) **(Vesting)**: The Performance Rights will vest on the date the Milestone has been satisfied.
- (d) **(Consideration)**: The Performance Rights will be issued in part consideration for the Acquisition and no consideration will be payable upon the conversion of the Performance Rights into fully paid ordinary shares in NHO **(Share)**.
- (e) **(Conversion)**: Subject to paragraph (p), upon vesting, each Performance Right will, at the election of the holder, convert into one Share.
- (f) **(Trading restriction)**: Any Share issued on conversion of a Performance Right within 12 months of NHO being reinstated to official quotation on the ASX **(Re-Listing Date)** cannot be traded until the date which is 12 months after the Re-Listing Date unless otherwise permitted by the Board and subject to any other escrow requirements imposed by ASX.
- (g) **(Lapse)**: Any Performance Right that has not vested on or before 5.00pm WST on 31 December 2021 will automatically lapse.
- (h) **(Share ranking)**: All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.
- (i) **(Listing of Shares on ASX)**: NHO will not apply for quotation of the Performance Rights on ASX. However, NHO will apply for quotation of all Shares issued pursuant to the vesting of Performance Rights on ASX within the period required by ASX.
- (j) **(Transfer of Performance Rights)**: The Performance Rights are not transferable.
- (k) **(Participation in Entitlements and Bonus Issues)**: Subject always to the rights under paragraph (m) *(Reorganisation of Capital)*, holders of Performance Rights will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

- (l) **(Adjustment for bonus issue):** If securities are issued pro-rata to shareholders generally by way of bonus issue (other than an issue in lieu of dividends by way of dividend reinvestment), the number of Performance Rights to which each holder is entitled will be increased by that number of securities which the holder would have been entitled if the Performance Rights held by the holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Corporations Act and ASX Listing Rules 6.22.3 at the time of the bonus issue.
- (m) **(Reorganisation of Capital):** In the event that the issued capital of NHO is reconstructed, all rights of a holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the holder are not diminished or terminated.
- (n) **(Dividend and Voting Rights):** The Performance Rights do not confer on the holder an entitlement to vote or receive dividends.
- (o) **(Change in Control):** Subject to paragraph (p), upon:
 - (i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of NHO and:
 - (A) having received acceptances for not less than 50.1% of NHO's Shares on issue; and
 - (B) having been declared unconditional by the bidder; or
 - (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of NHO or its amalgamation with any other company or companies,

then, to the extent Performance Rights have not converted into Shares due to satisfaction of the Milestone, Performance Rights will automatically convert to that number of Shares which when issued together with all Shares issued under any other class of performance rights then on issue in NHO, is equal to the lesser of one Share per Performance Right and 10% of the total Shares on issue at that time. Performance Rights that are not converted into Shares will continue to be held by the holder on the same terms and conditions.

- (p) **(Deferral of conversion if resulting in a prohibited acquisition of Shares):** If the conversion of a Performance Right under paragraph (e) or (o) would result in any person being in contravention of section 606(1) of the *Corporations Act 2001* (Cth) (**General Prohibition**) then the conversion of that Performance Right shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Right would result in a contravention of the General Prohibition:
 - (i) Holders may give written notification to NHO if they consider that the conversion of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the holder will entitle NHO to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.

- (ii) NHO may (but is not obliged to) by written notice to a holder request a holder to provide the written notice referred to in paragraph (p)(i) within seven days if NHO considers that the conversion of a Performance Right may result in a contravention of the General Prohibition. The absence of such written notification from the holder will entitle NHO to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.

SCHEDULE 3 – TERMS AND CONDITIONS OF 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 A\$0.02 (on a post-Consolidation basis) (**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 NHO 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 NHO.

(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, NHO 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 NHO;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if NHO 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, NHO 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 NHO.

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

If admitted to the official list of ASX at the time, application will be made by NHO 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 NHO is reconstructed, all rights of an Optionholder 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) **Adjustment for bonus issues of Shares**

If NHO makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option immediately before the record date of the bonus issue; and
- (ii) and in any event in a manner consistent with the Corporations Act and ASX Listing Rules 6.22.3 at the time of the bonus issue.

(m) **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.

(n) **Quotation**

The Options are unlisted, however, NHO intends to apply for quotation of the Options on ASX, subject to the requirements of ASX Listing Rule 2.5.

(o) **Transferability**

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

SCHEDULE 4 – VENDORS

Vendor	Consideration
JDK Nominees Pty Ltd (ACN 118 156 693) as trustee for the Kenny Capital Trust	Shares: 46,521,084 Cash: US\$300,933.73 Performance Rights: 44,750,000
Lugano Holdings LLC	Shares: 26,983,735 Cash: US\$147,243.98 Performance Rights: 36,750,000
PF Petroleum Pty Ltd (ACN 106 708 918)	Shares: 58,569,278 Cash: US\$400,210.84 Performance Rights: 52,750,000
PAA Energy LLC	Shares: 75,138,072 Cash: US\$426,728.92 Performance Rights: 50,100,000
Trend E&P LLC	Shares: 29,007,831 Cash: US\$156,882.53 Performance Rights: 36,750,000
RPM Texas LLC	Shares: 3,780,000 Cash: US\$18,000 Performance Rights: 18,900,000

PROXY FORM

NEW HORIZON COAL LTD (TO BE RENAMED "HELIOS ENERGY LTD")
ACN 143 932 110

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11.00am WST, on 6 February 2017 at Level 1, 33 Ord Street, West Perth, Western Australia, Australia, 6005 and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Issue of Consideration to Acquire Projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Rights Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Options under Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Advisor Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

**Consent for contact by e-mail
in relation to this Proxy Form:**

YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to New Horizon Coal Ltd, PO Box 637, West Perth, WA, 6872; or
 - (b) facsimile to the Company on facsimile number +61 8 9420 9399; or
 - (c) email to the Company at admin@newhorizoncoal.com.au,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.