



Notice of General Meeting and Explanatory Memorandum

General Meeting of

NEW GUINEA ENERGY LIMITED

ACN 112 618 238

*Will be held at
9.00am (Melbourne time) on Friday 28 October 2016*

At

*Clayton Utz
Level 18, 333 Collins Street, Melbourne, Victoria, 3000*

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

Should you wish to discuss the matters in this Notice of General Meeting, please do not hesitate to contact Mr Leslie Smith, Company Secretary on +61 3 9080 8854.

NEW GUINEA ENERGY LIMITED

ACN 112 618 238

Registered office: Level 15, 333 Collins Street, Melbourne VIC 3000

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting ("Meeting") of Members of New Guinea Energy Limited (the "Company") will be held at the offices of Clayton Utz, Level 18, 333 Collins Street, Melbourne, Victoria, 3000 at 9.00am (Melbourne time) on Friday 28 October 2016.

AGENDA

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

ORDINARY BUSINESS

Resolution 1: Change to nature and scale of activities

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

"That, subject to Resolution 2 being passed, and in accordance with Listing Rule 11.1.2, 11.1.3 and for all other purposes, approval is given for the Company to change the nature and scale of its activities as set out in the Explanatory Memorandum."

For further details about this Resolution, please see Section 1 of the Explanatory Memorandum.

The voting exclusion statement set out below in the Notes applies to this resolution.

Resolution 2: Consolidation of capital

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

"That, subject to Resolution 1 being passed, pursuant to s 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 20 Shares or Options be consolidated into 1 Share or Option and, where this consolidation results in a fraction of a Share or Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be)."

For further details about this Resolution, please see Section 2 of the Explanatory Memorandum.

By the order of the Board



Mr Leslie Smith
Company Secretary

Dated: 21 September 2016

Notes

1. **Entire Notice:** The details of the Resolutions contained in the Explanatory Memorandum accompanying this Notice of Meeting should be read together with, and form part of, this Notice of Meeting.
2. **Voting:** The Company has determined that for the purposes of the Meeting, shares will be taken to be held by the persons who are registered as holding the shares as at 7.00pm (Melbourne time) on Wednesday 26 October 2016. Only those persons will be entitled to vote at the Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.
3. **Voting Exclusion Statement:**

Resolution 1

The Company will disregard any votes cast by any person who may obtain a benefit if this Resolution is passed (except if that benefit is obtained solely in that person's capacity of a Shareholder) and any associates of that person. 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.

EXPLANATORY MEMORANDUM

1. Resolution 1: Change to nature and scale of activities

1.1. Resolution and Directors' recommendation

The Company is seeking approval from its Shareholders to change the nature and scale of its activities from those of an oil and gas exploration entity to those of a Listed Investment Company (LIC) within the definition of "investment entity" in ASX Listing Rule 19.

This Resolution is conditional on Resolution 2 being passed. This means that even if this Resolution 1 is passed, it will not be effected by the Company if Resolution 2 has not been passed.

None of the Directors currently have an interest in the Proposal or this Resolution, except in the capacity as a direct or indirect Shareholder of the Company. The Directors unanimously recommend that Shareholders vote in favour of this resolution.

1.2. Background

Listing Rule 11.1 requires that an entity proposing to make a significant change, either directly or indirectly, to the nature or scale of its activities must provide full details to the ASX as soon as practicable and before making that change.

On 11 August 2016, the Company announced to the ASX that, subject to obtaining the requisite approvals, it proposes to change the nature of its activities to those of a LIC within the definition of "investment entity" in Listing Rule 19 (**Proposal**).

Having conducted an extensive review of the Company's assets over the past 12 months and taking into consideration the current market conditions and the potential oil and gas investment opportunities, the Board has concluded that the best way to implement the Board's defined strategy as announced to the market on 13 October 2015 and as communicated in the Annual General Meeting presentation on 24 May 2016 is to change the Company's principal activities to those of a LIC.

In the Board's view, it is in the best interests of the Company and its Shareholders for NGE's material cash position (which is currently approximately \$19.34 million in cash and liquid investments) to be capable of being deployed in a broader range of investments in line with its proposed new corporate strategy, rather than as expenditure on pre-existing projects and investments in the depressed oil and gas sector which are unlikely to generate sufficient risk-adjusted returns for Shareholders.

1.3. Applicable Listing Rules

ASX has advised the Company that, given that the Proposal constitutes a significant change in the nature of the Company's activities pursuant to Chapter 11 of the Listing Rules, the ASX has exercised its discretion under Listing Rules 11.1.2 and 11.1.3 to require the Company:

- (a) to obtain approval from its Shareholders for the Proposal; and
- (b) to re-comply with Chapters 1 and 2 of the Listing Rules pursuant to Listing Rule 11.1.3, including by:
 - (i) obtaining conditional ASX approval to the reinstatement of the Company to official quotation on the ASX on conditions satisfactory to the Company; and
 - (ii) issuing a prospectus in order to update the market with the terms of the Proposal (**Prospectus**).

The Board expects that the Company will be able to satisfy all the conditions for re-admission, including Listing Rule 1.3.1A, which provides that, at the time of admission, an investment entity must have net tangible assets (**NTA**) of at least \$15 million after deducting the costs of fund raising. As at 30 June 2016, the Company satisfied the requirements of Listing Rule 1.3.1A with approximately \$19.34 million of NTA, of which \$15.76 million was held in cash (see Section 1.12). There has been no material change to the Company's NTA or cash balance as at the date of this Notice. As a result, the Company does not need to undertake the usual capital raising as part of the re-compliance process, other than to the extent a nominal amount is required to be raised by ASX.

1.4. Listed Investment Company

A LIC is an entity whose principal activities relate to investing (directly or indirectly) in listed and unlisted securities and whose objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests (although the Company notes that it will be permitted to continue to hold a 50% interest in Western Drilling Limited). As a LIC, the Company will have greater freedom to deploy its cash balance in a broader range of investments, outside of oil and gas, and thereby provide a greater opportunity to generate strong risk-adjusted returns for Shareholders.

1.5. Proposed business activities

If the Proposal proceeds, as a listed "investment entity" (within the definition of Listing Rule 19), the Company will be able to retain all its current PNG assets and operations (see Section 1.8 for a summary of the Company's existing assets and activities). In addition, the Company will have greater flexibility to utilise its material cash reserve in a broader range of investments with the objective of generating strong risk-adjusted returns for Shareholders.

It is intended that the Company's principal activities will consist of making investments in listed or unlisted securities and derivatives in companies where the Board perceives there to be material upside potential. These investments will be passive or non-controlling and, in compliance with Listing Rule 19, the Company's objectives and investment mandate will not include the exercise of control over or managing these entities or the business of these entities (although the Company notes that it will continue to hold a 50% interest in Western Drilling Limited). The Company will not enter into any management agreements or similar arrangements with the companies in which it invests.

The Company will be able to make investments in any industry, including oil and gas, and will be able to diversify across sectors, companies and trends. The Company's focus market will likely be Australia, however it will remain open to opportunities to invest internationally.

1.6. Investment mandate

The investment objective of the Company is to realise positive returns on its investments regardless of the underlying movement in value of the investment markets, and generate strong risk-adjusted returns for Shareholders over the medium to long term, whether by way of capital growth and/or regular income from interest, dividends, fees or profit from realisation on asset sales.

The Company's investment mandate is intended to be as broad as permitted under the Listing Rules, and the Board will have a wide discretion, within the terms of the investment mandate, to determine which investments to pursue on behalf of the Company's Shareholders. The Proposal

will give the Company flexibility to respond quickly to a wide range of investment opportunities and allocate capital to the most attractive opportunities available to the Company.

The Company believes that financial markets and individual securities can and do significantly deviate away from their fair value, and that there is potential to generate strong risk-adjusted returns for Shareholders by investing in select securities at opportune times.

The Board will investigate and select potential investment opportunities based on an assessment of a wide range of factors, including the size of the investment, projected revenue, costs and profits, growth potential, credit risk, asset and cash flow profile, assessment of the management team, and the maturity profile and liquidity of the potential investment.

The Company expects that it will focus its investments on equity securities in listed or unlisted entities, however the Company's investment mandate will allow the Company to be an active investor in a wide range of assets in accordance with its investment objectives, including but not limited to:

- (a) listed and unlisted securities;
- (b) derivatives including warrants and options;
- (c) hybrids and convertible instruments;
- (d) bonds, fixed income securities and other debt instruments;
- (e) secured and unsecured loans;
- (f) currencies; and
- (g) any other investment approved by the Board.

There will be no minimum or maximum number of investments in the Company's investment portfolio, however more or less may be held depending on the number of suitable investments identified that are expected to meet performance expectations.

1.7. Proposed corporate structure

As an investment entity, the Company will maintain its current corporate structure. The Directors have broad commercial and investment experience, as well as senior relationships in the Australian financial markets and other regions, which will be relevant to the Company's proposed activities as a LIC. The Directors will use their experience and expertise to manage the Company's investment portfolio and implement its business plan. This internal management and governance structure will avoid the need for the Company to pay fees that would otherwise be paid if an external manager were appointed. Accordingly, given the Directors' skill sets, there are no current intentions to change the composition of the Board. Mr David Lamm will continue to act as Executive Chairman of the Company. For more information on each of the Directors, see Section 1.9.

In addition:

- (a) an Investment Committee will be created under the Board's power of delegation under section 198D of the Corporations Act and the Company's Constitution. This committee will be authorised to seek, negotiate and execute investments in line with the Company's strategic objectives. The Investment Committee will comprise of Mr David Lamm (Chairman), Mr Grant Worner, Mr Adam Saunders and Sir Michael Bromley;
- (b) the Audit Committee will ensure that the Company's approach to risk in its investment activities reflects the Board's risk appetite and the Company's new corporate strategy of focussing on generating strong risk-adjusted returns for shareholders over the medium to long term. The Audit Committee currently comprises of Mr Adam Saunders (Chairman), Sir Michael Bromley and Mr Grant Worner. Following implementation of the Proposal, the Audit Committee will comprise of Mr Grant Worner (Chairman), Sir Michael Bromley and Mr Adam Saunders; and
- (c) it is possible that there may be a real or perceived conflict of interest between the Company as an investment entity and its major shareholder Kentgrove Capital Pty Ltd, an entity controlled by Mr David Lamm (Executive Chairman of the Company). Kentgrove Capital is

an investment management firm with a focus on listed Australian securities. A conflict may arise for competing interests in investment opportunities due to overlapping investment mandates.

In addition to the statutory duties imposed on Directors by the Corporations Act to act in the best interest of the Company, if the Proposal proceeds, the Company will implement a Conflicts Management Policy to ensure any conflicts are avoided or managed appropriately. The Audit Committee will be responsible for the Conflicts Management Policy and will maintain oversight if any conflicts or potential conflicts arise. Mr David Lamm will not be a member of the Audit Committee. Upon implementation of the Proposal Mr Adam Saunders, an employee of Kentgrove Capital, will cease to be the Chairman of the Audit Committee and revert to the role of Member. Mr Saunders will be excluded from all discussions and decision-making of the Audit Committee in relation to the Conflicts Management Policy and Kentgrove Capital.

1.8. Existing assets and activities

Currently, the Company's material assets comprise of:

- (a) approximately AU\$19.34 million in cash and liquid investments;
- (b) two Petroleum Prospecting Licences for oil and gas exploration in PNG, in respect of which the Company has lodged applications to surrender (as announced to ASX on 11 August 2016);
- (c) a 50% interest in Western Drilling Limited;
- (d) minor equity interests in other entities; and
- (e) contractual rights to receive contingent payments and royalties.

The Company will retain all its current assets and operations following implementation of the Proposal.

1.9. Directors' profiles

An overview of the background and experience of the Directors of the Company is set out below.

(a) Mr David Lamm, Executive Chairman

Executive Chairman (29 February 2016 – present)
Non-Executive Chairman (28 July 2015 – 28 February 2016)
Non-Executive Director (15 July 2015 – 27 July 2015)

Member of Audit Committee (20 August 2015 – 28 February 2016)
Member of Remuneration Committee (20 August 2015 – 28 February 2016)

Mr Lamm has over a decade of experience in business and financial markets including roles at Credit Suisse, Bain & Company and the Alter Family Office where he gained experience across an extensive range of sectors and industries. Mr Lamm is the founder and Managing Director of Kentgrove Capital, an investment management firm focused on listed Australian equities. Mr Lamm is qualified as an actuary, specialising in Investments and Finance, and is a Fellow of the Institute of Actuaries of Australia. Mr Lamm also holds a Bachelor in Commerce from the University of Melbourne, with First Class Honours.

Other current directorships
Alchemia Limited (appointed 7 March 2016)

(b) Sir Michael Bromley, Non-Executive Director

Non-Executive Director (4 October 2006 – present)
Member of Audit Committee (September 2009 – present)

Chair of Remuneration Committee (20 August 2015 – present)

Sir Michael Bromley, KBE, has extensive commercial experience in Papua New Guinea having been on the board of a number of companies including Air Niugini (Chairman in 1987, 1988, 1998, 2001 and 2002) and Orogen Minerals Limited. He is currently Chairman of Heli Niugini Limited (since 2006) and Chemica Limited (since 1996) and is on the board of Steamships Trading Company Limited (from 1986 to 1996 and since 2000), Sek No: 35 Limited (since 1990) and Maps Tuna Limited (since 1997), Chemica Ltd and Hoia Investments Ltd, all entities operating in PNG.

Other current directorships

Steamships Trading Company Ltd (appointed 2000)

Previous directorships

Waratah Resources Limited (resigned 27 September 2013)

(c) Mr Adam Saunders, Non-Executive Director

Non-Executive Director (15 July 2015 – present)

Chair of Audit Committee (20 August 2015 – present)

Member of Remuneration Committee (20 August 2015 – present)

Mr Saunders is currently employed by investment management firm Kentgrove Capital, where he is primarily involved in the origination and analysis of investment opportunities with the focus of delivering superior returns. Previously, Mr Saunders worked at boutique corporate advisory firm GBS Finanzas in Madrid, and Credit Suisse in Melbourne in the Mergers & Acquisitions team. Mr Saunders has worked on various oil and gas deals, cross-border transactions and has been involved in various buy-side and sell-side public company mandates. Mr Saunders holds a Bachelor in Commerce from the University of Melbourne with Honours in Finance, and is a Graduate of the Australian Institute of Company Directors.

(d) Mr Grant Worner, Non-Executive Director

Non-Executive Director (15 July 2015 – 27 July 2015 and 16 January 2016 – present)

Managing Director (28 July 2015 – 15 January 2016)

Member of Audit Committee (29 February 2016 – present)

Member of Remuneration Committee (29 February 2016 – present)

Mr Worner has more than 25 years' experience across the entire oil industry supply chain, including 12 years' international experience in a 22 year career with BP. Mr Worner has spent the last 10 years operating at executive level for BP, the Company, and his own specialist management consultancy firm. His role prior to the Company was as CFO for Australia's largest oil refinery where he led the strategy and growth of the business that delivered more than US\$1bn in EBITDA during his 5 year tenure. Mr Worner holds a Bachelor of Engineering (Chemical, 1st Class Honours) degree from the University of Queensland and an MBA from the University of Western Australia, and has completed executive education courses in the London School of Economics, Cambridge, Harvard, and Stanford Universities. He is a Graduate of the Australian Institute of Company Directors.

Other current directorships:

CUE Energy Resources Limited (appointed 4 March 2016, appointed Executive Chairman 29 March 2016)

Pan Pacific Petroleum NL (appointed Non-Executive Director 26 June 2015, appointed Executive Director 24 August 2015)

1.10. Timetable

It is currently anticipated that the Proposal will be completed in accordance with the timetable below. The Company will continue to update ASX and its Shareholders as and when needed with the progress of the Proposal.

Action	Indicative Timing
Notice of Meeting despatched to Shareholders	28 September 2016
Lodgement of application for re-admission	30 September 2016
General Meeting is held and the Shareholders approve the Resolutions	28 October 2016
Consolidation of capital takes effect	The day the Resolutions are passed
Lodgement of Prospectus	31 October 2016
Anticipated date for reinstatement	November 2016

These dates are indicative only and subject to change. The Directors reserve the right to vary these dates without prior notice to Shareholders.

1.11. Effect on capital structure

It is not intended that any Securities will be issued as part of the Proposal, therefore there will be no change to the Company's capital structure other than as a result of the proposed consolidation of capital, approval for which is being sought from Shareholders under Resolution 2. For more details on this proposed consolidation of capital, refer to Section 2 of this Explanatory Memorandum.

1.12. Half-year financial report

The statement of financial position contained in the half-year financial report of the Company for the period ending 30 June 2016 (which was released by the Company on 9 September 2016) is attached as Annexure 1 of this Notice. As required under Listing Rule 1.3.5, a pro-forma statement of financial position of the Company following completion of the Proposal will be attached to the Prospectus.

1.13. Advantages to the Proposal

The following non-exhaustive list sets out some of the advantages to the Proposal, which may be relevant to a Shareholder's decision on how to vote on the Resolutions:

- (a) The Proposal allows the Company to invest in a broader range of investments and diversify away from the depressed oil and gas sector.
- (b) The Company will be managed by Directors and executives who have significant experience in the investment industry which can potentially lead to increased returns to Shareholders.
- (c) The Chairman, directly and indirectly, has a significant equity stake in the Company, ensuring alignment with Shareholders' interests.
- (d) The Proposal provides future potential to exploit attractive investment opportunities within the Company's proposed investment mandate.

1.14. Disadvantages to the Proposal

The following non-exhaustive list sets out some of the disadvantages to the Proposal, which may be relevant to a Shareholder's decision on how to vote on the Resolutions:

- (a) The Company will be changing the nature of its activities to become a LIC, which may not be consistent with the investment objectives of all Shareholders.
- (b) As a LIC, the Company will be exposed to different risks and will have a different risk and reward profile to that which the Company has had historically as an oil and gas exploration entity. The new risk profile may not suit all Shareholders.
- (c) There are other risk factors associated with the change of nature of the Company's activities, or associated with its prospective business and operations as a LIC. A non-exhaustive list of these risks is set out in Section 1.15 below.

1.15. Key specific risks of the Proposal or to the Company

If the Resolutions are approved, the Company will be changing its activities to become a LIC. Such change is subject to various risk factors. The following is a non-exhaustive list which sets out some of the risk factors relating to the Proposal.

(a) Suspension and re-quotations of Shares on ASX

As set out in Section 1.3 above, the Proposal constitutes a significant change in the nature and scale of the Company's activities and the Company is required to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the official list of ASX.

Trading in the Company's quoted Securities has been suspended, and if the Shareholders approve the Resolutions, will continue to be suspended until the Company satisfies the requirements of Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3. The Board expects that the Company will be able to satisfy all the conditions for re-admission, and it is anticipated that the Company's Securities will re-commence trading in November 2016. There is a risk that the Company will not be able to satisfy one or more of those requirements and the quoted Securities may consequently remain suspended from quotation.

If the Proposal does not proceed, there is also a risk that, given the Company's material cash balance and limited operations in the oil and gas exploration sector, ASX will require that the Company be removed from the official list of ASX as its operations are not sufficient to warrant continued quotation of its Securities and continued listing.

(b) Reliance on key personnel

The Company relies on the expertise of its Directors and management to develop and maintain an investment portfolio that is consistent with the Company's investment objectives, strategies and mandate.

The Company intends to put in place systems and processes to mitigate the risk of losing key personnel. However, the loss of key personnel within the Company could have a negative impact on the business of the Company.

(c) Individual investment risk

Individual investments within the Company's investment portfolio may fall in value for many reasons such as changes in the investment entity's internal operations, management or in its business environment, which may be out of the Company's control. If this occurs, the net asset value (**NAV**) of the Company may fall which is likely to have a negative effect on the Company's Share price.

(d) Interest rate risk

Changes in interest rates can have a direct or indirect impact on investment valuations and returns on any cash deposits held by the Company.

(e) Different taxation treatment

Investing in entities through the Company as a LIC may give different after-tax results than investing in those individual entities directly because of the impact of income or capital gains accrued in the Company.

(f) Liquidity

The Company may invest in unlisted securities or in companies whose securities are thinly traded. Therefore, the Company's ability to sell and convert underlying investments to cash may be restricted. There is also no guarantee that an active market in the Company's Shares will develop following implementation of the Proposal, or that liquidity will increase as a result of implementation of the Proposal.

(g) Financial market volatility

A fall in global or Australian equity or bond markets, or a sudden change in the value of the Australian dollar against other major currencies may discourage investors from moving funds into or out of equity markets. This may have a negative effect on the Company's Share price.

(h) Performance of other asset classes

The good performance, or anticipated performance, of other asset classes can encourage individuals to divert funds away from equity markets. This may negatively impact the value of the Company's investment portfolio, which is likely to be equities-focused.

(i) Absolute performance versus relative performance

The Company's objective is to realise positive returns on its investments regardless of the underlying movement in value of the investment markets. With this objective, the value of the investment portfolio developed and maintained by the Company may not change in line with the overall movements in the market and the Company's performance may differ significantly from other funds that seek to measure performance against the broader share market.

(j) Tax

Taxation and changes to tax systems can have an effect on returns but also the relative merit of investing in various asset classes and in an individual security. These factors may have a negative impact on the Company or the price of Shares.

(k) Concentration risk

The Company's portfolio may at times be highly concentrated due to the number of suitable investments identified at the time that are expected to meet performance expectations. This may result in the potential for higher volatility of the Company's reportable NAV and consequently the price of the Company's Shares.

(l) Exposure to unlisted securities

The Company may at times invest in unlisted securities. In general, there is less regulation and supervision of transactions in unlisted securities markets than of transactions entered into on organised exchanges. In addition, there may be little or no liquidity in unlisted securities and little oversight or disclosure of information which may make it difficult for the Company to exit those investments for fair value.

(m) Future capital requirements

There can be no assurance that the Company will not need to raise additional capital to fully explore or exploit the business opportunities available to it.

There can be no assurance that the Company will be able to raise such capital on favourable terms (or at all) or, if the Company is able to raise the capital, that it will be able to invest that capital efficiently.

If the Company is unable to obtain or invest such additional capital, the Company may be required to reduce the scope of its investment activities or forgo an investment opportunity which could adversely affect its business, financial condition and results of operations.

(n) Discount to NAV

The Shares of the Company may trade on ASX at a discount to the NAV of the Company's investment portfolio on a per Share basis, and the performance of the Shares may not be correlated with the performance of the portfolio.

1.16. General risk factors

(a) Market risk

Conditions of the share market in general may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors which are out of the Company's control, such as:

- (i) general economic outlook and conditions;
- (ii) interest rates and inflation rates;
- (iii) fluctuations in the domestic and international market for listed stocks;
- (iv) currency fluctuations;
- (v) commodity price fluctuations and exchange rates;
- (vi) changes in investor sentiment toward particular market sectors;
- (vii) the demand for, and supply of, capital;
- (viii) changes to government legislation, regulation or policies; and
- (ix) terrorism and other hostilities.

(b) Industry risk

Certain industry risk factors may affect the future operational performance of the Company. These factors are outside the control of the Company and include increased regulatory and compliance costs, the unforeseen introduction of or changes to government legislation, and a collapse in equity markets.

(c) General economic and political risks

Changes in the general economic and political climate in Australia and on a global basis may impact on economic growth, interest rates, the rate of inflation, taxation and tariff laws, and domestic security. These factors may affect the value and viability of any activities that may be conducted by the Company.

(d) Insurance risk

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

(e) Regulatory risk

The Company is subject to a range of regulatory controls imposed by the federal and state government and regulatory authorities (including ASX and ASIC). The relevant regulatory regimes are complex and subject to change over time, depending on changes in the laws and policies of the governments and regulatory authorities.

The Company is exposed to the risk of changes to applicable laws or the interpretation of existing laws, which may have a negative effect on the Company, its investments and/or returns to Shareholders, or the risks associated with non-compliance with these laws, including reporting or other legal obligations. Any non-compliance may result in financial penalties being levied against the Company.

(f) Changes in taxation laws and policies

The Company is subject to tax laws which are in a continual state of change. Changes to tax laws and regulation may affect the Company and its Shareholders.

There may be tax implications arising from ownership of the Shares, the receipt of franked and unfranked dividends (should they be paid) from the Company, receiving returns of capital and the disposal of the Shares.

Changes to tax laws may adversely affect the Company's financial performance and/or the returns achieved by investors. If dividends are paid by the Company, the payment of these dividends to certain investors may not be recognized as frankable by the Australian Taxation Office.

The Company is not responsible for either taxation or penalties incurred by investors. Investors should carefully consider any tax implications and obtain independent advice from an accountant or other professional tax adviser in relation to the application of tax law and regulation to your investment in the Company.

(g) Shareholder dilution

In the future, the Company may elect to issue Shares in connection with fundraisings, including raising proceeds for acquisitions. While the Company will be subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such fundraisings.

1.17. If the Proposal does not proceed

If the Resolutions are not passed, or if the Company is unable to satisfy any of the requirements of Chapters 1 or 2 of the Listing Rules for re-admission, the Proposal will not proceed and the Company will continue in its current form.

2. Resolution 2: Consolidation of capital

2.1. Resolution and Directors' recommendation

The Company is seeking approval from its Shareholders to consolidate the issued capital of the Company on the basis that every 20 Shares or Options be consolidated into 1 Share or Option and, where this consolidation results in a fraction of a Share or Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be) (**Consolidation**).

This Resolution is conditional on Resolution 1 being passed. This means that even if this Resolution 2 is passed, it will not be effected by the Company if Resolution 1 has not been passed.

None of the Directors currently have an interest in this Resolution, except in the capacity as a direct or indirect Shareholder of the Company. The Directors unanimously recommend that Shareholders vote in favour of this resolution.

2.2. Background

As set out in Section 1.3 above, the Proposal constitutes a significant change in the nature and scale of the Company's activities and the Company is required to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the official list of ASX.

Condition 2 of Listing Rule 2.1 requires that the issue price or sale price of all the Securities for which the Company seeks quotation (except options) must be at least 20 cents in cash. As at the date of this Notice, the Company's share price was approximately \$0.02 per Share, which does not meet Condition 2 of Listing Rule 2.1. Therefore, in order to ensure that the Company is able to re-

comply with Chapter 2 of the Listing Rules, the Company must consolidate its share capital so that its share price is at least 20 cents in cash.

2.3. Effect on capital structure

The following table sets out the effect of the Consolidation on the Company's capital structure:

	Number
Shares currently on issue	844,986,193
Total Shares on issue after completion of the Consolidation	42,249,310
Options currently on issue	8,000,000
Total Options on issue after completion of the Consolidation	400,000

2.4. Relevant legal provisions

Section 254H of the Corporations Act provides that a company may, by resolution passed at a general meeting, convert all or any of its shares into a large or smaller number. Under section 254H(2), the Consolidation will take effect on the day that resolution is passed.

2.5. Fractional entitlements

Because not all Shareholders hold a number of Shares or Options which can be evenly divided by 20, if the Consolidation results in a fraction of a Share or Option being held, the Company will round that fraction up to the nearest whole Share.

2.6. Taxation

It is not expected that the Consolidation, if implemented, will result in any taxation implications to Shareholders. However, all Shareholders are advised to seek their own taxation advice on the effect of the Consolidation and the Company does not accept any responsibility for any taxation consequences arising for any Shareholder in connection with the Consolidation.

2.7. Holding statements

From the date of the Consolidation, all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of Shares and Options on a post-Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares and Options to be issued to holders of those Shares and Options. It is the responsibility of each holder of Shares or Options to check the number of Shares or Options held prior to disposal or exercise (as the case may be).

2.8. Indicative timetable

If this Resolution is passed, the Consolidation and Proposal will be implemented in accordance with the timetable set out in Section 1.10.

PROXY AND VOTING INSTRUCTIONS

1. For the purposes of the Corporations Act, the Company has determined that all securities of the Company recorded on the Company's register as at 7.00pm (Melbourne time) on 26 October 2016 will be taken, for the purposes of the Meeting, to be held by the persons who held them at that time.
2. The details of the Resolutions contained in the Explanatory Memorandum accompanying this Notice of Meeting should be read together with, and form part of this Notice of Meeting.
3. A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
4. If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting on that resolution as they think fit.
5. If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
6. Shareholders who return their Proxy Forms with a direction on how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf.
7. If a Proxy Form is returned but the nominated proxy does not attend the meeting, or does not vote on the resolution, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions.
8. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction on how to vote will be used where possible to support each of the resolutions proposed in this Notice.
9. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person excluded from voting as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or where it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form to vote as the proxy decides.
10. A Proxy Form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions set out in the Proxy Form by no later than 9.00am (Melbourne time) on 26 October 2016.

GLOSSARY

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

“**\$**” means Australian Dollars;

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

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

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

“**Company**” means New Guinea Energy Limited ACN 112 618 238;

“**Consolidation**” has the meaning set out in Section 2.1 of this Explanatory Memorandum;

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

“**Corporations Act**” means the Corporations Act 2001 (Cth);

“**Director**” means a director of the Company;

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

“**LIC**” has the meaning set out in Section 1.1 of the Explanatory Memorandum;

“**Listing Rules**” means the Listing Rules of the ASX;

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

“**NAV**” has the meaning set out Section 1.15(c) of the Explanatory Memorandum;

“**Notice**” means the Notice of Meeting accompanying this Explanatory Memorandum;

“**NTA**” has the meaning set out Section 1.3 of the Explanatory Memorandum;

“**Option**” means an unlisted option currently on issue which gives the holder an option to acquire a Share;

“**PNG**” means Papua New Guinea;

“**Proposal**” has the meaning set out in Section 1.2 of this Explanatory Memorandum;

“**Prospectus**” has the meaning set out in Section 1.3 of this Explanatory Memorandum;

“**Proxy Form**” means the proxy form attached to the Notice;

“**Resolution**” means a resolution referred to in the Notice;

“**Section**” means a section of the Explanatory Memorandum;

“**Securities**” has the meaning given in Listing Rule 19.

“**Share**” means a fully paid ordinary share in the capital of the Company; and

“**Shareholder**” means shareholder of the Company.

ANNEXURE 1 - Statement of financial position contained in the Company's half-year financial report for the period ending 30 June 2016

Consolidated Statement of Financial Position

As At 30 June 2016

	Note	30 June 2016 \$'000	31 December 2015 \$'000
ASSETS			
CURRENT			
Cash and cash equivalents		15,764	19,898
Trade and other receivables		65	66
Financial assets	10	3,677	508
Other current assets		8	54
TOTAL CURRENT ASSETS		<u>19,514</u>	<u>20,526</u>
TOTAL ASSETS		<u>19,514</u>	<u>20,526</u>
LIABILITIES			
CURRENT			
Trade and other payables		73	169
Provisions		119	170
TOTAL CURRENT LIABILITIES		<u>192</u>	<u>339</u>
TOTAL LIABILITIES		<u>192</u>	<u>339</u>
NET ASSETS		<u>19,322</u>	<u>20,187</u>
EQUITY			
Share capital		80,206	80,217
Reserves		11,377	11,377
Accumulated losses		(72,261)	(71,407)
TOTAL EQUITY		<u>19,322</u>	<u>20,187</u>



All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 9:00am (Melbourne Time) on Wednesday 26 October 2016.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** www.votingonline.com.au/ngeg2016
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **9:00am (Melbourne Time) on Wednesday, 26 October 2016.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 🖥 **Online** www.votingonline.com.au/ngeg2016
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

New Guinea Energy Limited

ACN 112 618 238

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **New Guinea Energy Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at **Clayton Utz, Level 18, 333 Collins Street, Melbourne, VIC 3000 on Friday, 28 October 2016 at 9:00am (Melbourne Time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		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"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2016