

**SUGAR DRAGON LIMITED
ACN 157 789 761**

(TO BE RENAMED LONE STAR ENERGY LIMITED)

NOTICE OF GENERAL MEETING

**Meeting to be held at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia
on 9 August 2017 commencing at 10:00am (WST).**

This Notice and Explanatory Statement should be read in its entirety.

Shareholders are urged to attend or vote by lodging the Proxy Form attached to this Notice.

**If Shareholders are in doubt as to how to vote, they should seek advice from their
accountant, solicitor or other professional adviser without delay.**

SUGAR DRAGON LIMITED

ACN 157 789 761

NOTICE OF GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Sugar Dragon Limited (ACN 157 789 761) will be held at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia on 9 August 2017 commencing at 10:00am (WST) (**Meeting**).

Terms and abbreviations used in this Notice are defined in the Glossary in the Explanatory Statement attached to this Notice.

AGENDA

Special Business – General Meeting

1. Resolution 1 – Change of name of Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

“That, in accordance with section 157(1)(a) of the Corporations Act and for all other purposes, approval be and is hereby given for the name of the Company to change to Lone Star Energy Limited.”

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice and should be read in conjunction with it.

The Notice is for the holding of a general meeting of the Company.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in this Notice and the Explanatory Statement.

Proxies

Please note that:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

Voting Entitlements

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 10:00am (WST) on 7 August 2017.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to Suite 9, 330 Churchill Avenue, Subiaco, Western Australia in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. An appointment of Corporate Representative form is enclosed if required.

By order of the Board.

A handwritten signature in blue ink, appearing to be 'JR', with a long horizontal flourish extending to the right.

James Robinson
Director
18 July 2017

EXPLANATORY STATEMENT

1. Introduction

This Explanatory Statement has been prepared for the information of Shareholders of the Company in connection with the Resolution to be considered at the general meeting to be held at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia on 9 August 2017 at 10:00am (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolution in the accompanying Notice.

This Explanatory Statement forms part of and should be read in conjunction with the Notice.

References to time in this Explanatory Statement relate to the time in Perth, Western Australia.

Capitalised terms which are not otherwise defined in this Explanatory Statement have the meanings given to those terms in the Glossary at section 4 of this Explanatory Statement.

2. General Meeting

The Notice convening the Meeting is included at the front of this booklet. Existing Shareholders are encouraged to attend and vote in favour of the Resolution to be put at the Meeting.

If an Existing Shareholder is not able to attend and vote at the Meeting, the Existing Shareholder is encouraged to complete the proxy form at the back of this booklet and return it to the Company at the address stated on the proxy form not later than 48 hours before the time specified for the commencement of the Meeting.

2.1 Business of Meeting

There is one Resolution to be put at the Meeting, which is a special resolution.

An explanation of the Resolution is set out below in this section 2.

2.2 Resolution 1 – Change of name of Company

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

Resolution 1 seeks the approval of Shareholders for the Company to change its name to Lone Star Energy Limited.

If Resolution 1 is passed, the change of name will take effect from the day on which ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 1 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the meeting in order to effect the change.

The Board proposes this change of name on the basis that it more accurately

reflects the proposed changed nature and future operations of the Company.

2.3 Transaction

The Company's wholly-owned subsidiary, LS Operating, has entered into a Letter Agreement dated 17 July 2017 with BRK Oklahoma Holdings, LLC (**Letter Agreement**) by which it will be referred opportunities to assess and undertake potential future conventional well bore drilling and or acreage acquisition opportunities.

The Letter Agreement provides (inter alia) that BRK Oklahoma, LLC (**BRK Oklahoma**) may refer potential future conventional well bore drilling and or acreage acquisition opportunities to LS Operating. Where such opportunities are referred to LS Operating, it may exercise its rights to 'step-in' to the relevant contract in the place of BRK Oklahoma. In addition, LS Operating may require BRK Oklahoma to formally assign all agreements relevant to an opportunity to LS Operating or alternatively require replacement agreements to be entered into.

Based on discussions with BRK Oklahoma, the Company anticipates receiving many such referrals of opportunities.

Pursuant to the Letter Agreement, LS Operating proposes to acquire a 25% interest in the Texas Panhandle Greever Prospect (**Project**), being the first such referral opportunity.

In addition, the Company as at the date of this Notice is undertaking:

- (a) a placement of up to 55,000,000 Shares to various investors at A\$0.025 per Share, to raise up to A\$1,375,000; and
- (b) an entitlement issue on the basis of 2 new Shares for every 1 Share held on the Record Date of 17 July 2017, at an issue price of A\$0.025 per new Share, for the purpose of raising up to approximately A\$625,000,

(Fundraisings).

The Company intends to use the funds raised by the Fundraisings to assess and undertake potential future conventional well bore drilling and or acreage acquisition opportunities via its Letter Agreement, and to undertake exploration activities associated with the Project, amongst other things.

2.4 The Project

The Project is located in Hansford County, Texas, United States of America approximately 96 miles north of Amarillio.

The Project is a conventional horizontal drilling opportunity in the Marmaton Formation in the Hansford Oil and Gas Field in Hansford County, Texas, USA. The Hansford Field is described as a significant field (>1,000 Billion cubic feet (Bcf) of gas) with over 50 years of exploitation.

The Project was introduced to LS Operating by Brookside Energy Limited's wholly owned subsidiary BRK Oklahoma Holdings LLC via it's United States based partner Black Mesa Production, LLC (**Black Mesa**).

Black Mesa's Tulsa-based technical team sourced the opportunity, negotiated

the participation terms and recommended participation in the Project following the completion of technical (engineering and geological), land/title and financial due diligence.

An initial horizontal well bore is set to spud in July 2017. The well is offsetting a recent successfully drilled (producing) horizontal well and is adjacent to an analogous field with five recently drilled horizontal Marmaton Formation producing wells.

The Project consists of 640 leased acres in Section 52, Block 4T in Hansford County, Texas, United States of America. The Project also includes an Area of Mutual Interest (**AMI**) including the adjoining Section 51, Block 4T.

The Company will acquire a 25% working interest in the drilling of the initial well, which if successful will set up opportunities for further wells to be drilled within the leased acreage and possibly within the AMI.

2.5 Participation agreement

On 17 July 2017 LS Operating entered into an agreement with BRK Oklahoma Holdings, LLC to acquire a working interest in the Project.

LS Operating will acquire a 25% interest (subject to Black Mesa's working interest back-in after payout) by funding approximately US\$900,000 (**Initial Funding Amount**). The Initial Funding Amount will cover LS Operating's share of estimated drilling and completion costs on the initial well and its share of lease bonus paid for the leases covering 640 acres in Section 52, Block 4T.

LS Operating's working interest will be reduced to 18.75% if it recovers 100% of the Initial Funding Amount from receipt of revenue from the Project.

3. Action to be taken by Shareholders

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

4. Glossary

In this Notice, unless the context otherwise requires:

ASIC means the Australian Securities and Investments Commission.

Board means the board of Directors.

Chairman means the person appointed to chair the Meeting.

Company means Sugar Dragon Limited ACN 157 789 761.

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

Director means a director of the Company.

Explanatory Statement means the explanatory statement attached to the Notice.

Fundraisings has the meaning given in Section 2.2.

LS Operating means LS Operating Pty Ltd (ACN 620 289 849), being a wholly-owned subsidiary of the Company.

Meeting has the meaning given to that term in the introductory paragraph of the Notice.

Notice means this notice of meeting, including the Explanatory Statement.

Project means the Texas Panhandle Greever Prospect as described in Section 2.2.

Resolution means a resolution contained in this Notice.

Section means a section contained in this Explanatory Statement.

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

Shareholder means a shareholder of the Company.

Transaction means the proposed acquisition by the Company of the Project.

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

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

PROXY FORM

Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of Sugar Dragon Limited and entitled to attend and vote hereby appoint the following proxy/proxies to attend and act on my/our behalf and to vote in accordance with my/our following directions at the General Meeting of Sugar Dragon Limited to be held at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia on 9 August 2017 at 10:00am (WST) and at any adjournment of that meeting.

The Chairman
of the meeting

(mark with an 'X')

IMPORTANT:

If the Chairman of the meeting is your proxy, or if appointed your proxy by default and you do **not** wish to direct him/her how to vote on any of these resolutions, you must mark this box with an "X". By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy on those resolutions (for which you have not given a direction) even if he/she has an interest in the outcome of the resolution/s and that votes cast by him/her, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote on any of these resolutions, the Chairman of the meeting will not cast your votes on the resolutions (for which you have not given a direction) on a show of hands or on a poll. The Chairman of the meeting intends to vote undirected proxies in favour of the resolution.

OR

If the person you are appointing as your proxy is someone other than the Chairman of the meeting:

Write the name of that person in the box below.

 %

You must specify the % of your votes that you authorize your proxy to exercise if:

If you hold 2 or more Shares in #full company name#, you may appoint a second proxy:

Write the name of your second proxy in the box below.

 %

- (a) you have only appointed 1 proxy and do not want him/her to exercise all of your votes; or
(b) if you have appointed 2 proxies under this proxy form.

If you do not name a proxy or your named proxy fails to attend the meeting, the Chairman of the meeting will be appointed as your proxy to attend and act on your behalf and to vote in accordance with the following directions at the General Meeting of Sugar Dragon Limited to be held at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia on 9 August 2017 at 10:00am (WST) and at any adjournment of that meeting.

Voting directions to your proxy – Please mark only one of the boxes with an "X" for each resolution to indicate your directions.

Special Business – General Meeting

		For	Against	Abstain
Resolution 1	Change of Company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Note: If you mark the "Abstain" box with an "x" for a particular resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll.

PLEASE SIGN HERE
implemented

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete this Proxy Form

1 Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. **Please note you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

3 Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, please write the name of that person.

To appoint a second proxy you must state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If the Proxy Form does not specify a percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

5 Signing Instructions

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

Individual: where the holding is in one name, the holder must sign.

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

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a

Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

6 Lodgment of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting ie. no later than 10am (WST) on 7 August 2017. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia or sent by facsimile to the registered office on +61 (8) 6489 1601.

Company or Trust in which Security holding is held

Sugar Dragon Limited (ACN 157 789 761)

Registered Name(s)

Registered Address

Holder Identification Number (HIN) or Securityholder Reference Number (SRN)

Use a black pen.
Print in CAPITAL letters.

A B C

1 2 3

Where a choice is required, mark the box with an 'X'

X

Appointment of Corporate Representative

A Appointment of Corporate Representative

The abovenamed registered holder hereby appoints:

to act as its representative at:

the meeting of the above named company to be held on: Day Month Year
*and at any adjournment of that meeting

OR

all meetings of the above named company.

Please state if there are any restrictions on the representative's power: YES NO

If yes, please describe these restrictions

Contact Name Telephone Number – Business Hours / After Hours

B Sign Here – This section must be signed for your instructions to be executed

I/We authorise you to act in accordance with the instructions set out above. We acknowledge that these instructions supersede and priority over all previous instructions.

Director Director/Company Secretary Sole Director and Sole Company Secretary

Day Month Year

How to complete this form

A

Appointment of Corporate Representative

Enter the name of the person you wish to appoint as a corporate representative

Indicate whether this appointment is for one specific meeting or all future meetings. If it is only for one specific meeting, enter the date of that meeting.

State if there are any restrictions to the representative's power and, if so, describe these.

Please enter contact details so that we can call you in the instance we have a query regarding this form.

B

Signature(s)

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

Companies: this form must be signed by either 2 Directors or a Director and a Company Secretary. Alternatively, where the company has a Sole Director and, pursuant to the Corporations Act, there is no Company Secretary, or where the Sole Director is also the Sole Company Secretary, that Director may sign alone. Delete titles as applicable.