



LAKES OIL N.L.

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30 June 2016

Dear Shareholder,

Ineligible Foreign Shareholder Letter Non-Renounceable Rights Issue - Listed Unsecured Converting Notes

As announced to the ASX on 30 June 2016, Lakes Oil NL is undertaking a non-renounceable rights issue of listed unsecured converting notes (Notes) at an issue price of **\$10** each on the basis of 1 Note for every 20,000 Entitlement Securities held. Fractional entitlements will be rounded up to the nearest Note. The Maturity Date of the Notes is 31 May 2018, with an ability to convert earlier at any of the prior Interest Payment Dates (30 November 2016, 31 May 2017 and 30 November 2017). Holders of Entitlement Securities may apply for Notes in excess of their entitlement. A maximum of \$7,100,000 can be raised under the issue.

Each Note converts into 9,091 Shares. However, if the 30 Day Average Closing Share Price prior to the Maturity Date is less than 0.11 cents, the number of Shares received on conversion for each Note will be increased to a maximum of 10,000 Shares on the basis of an Uplift Factor formula (having regard to the 30 Day Average Closing Share Price with a minimum price of 0.10 cents) as set out in this Prospectus. This Uplift Factor increase only applies if conversion occurs on the Maturity Date.

The Rights Issue is only being made to holders of Entitlement Securities who have a registered address in Australia or New Zealand on the basis of 1 Note for 20,000 Entitlement Securities held at 7.00 pm (Melbourne time) on 14 July 2016. Entitlement Securities comprise existing issued shares, together with the existing LKOGA Converting Notes multiplied by a conversion factor of 6,667.

Lakes Oil NL regrets that, having considered the number of holders of Entitlement Securities with registered addresses outside Australia or New Zealand (Ineligible Foreign Shareholders), the number and value of the shareholdings held by those Ineligible Foreign Shareholders, and the costs of complying with the laws and any requirements of any regulatory authority in each applicable jurisdiction, Lakes Oil NL considers it unreasonable to extend the offer to Ineligible Foreign Shareholders.

You are not required to do anything in response to this letter.

Yours sincerely
LAKES OIL NL

Roland Sleeman
Chief Executive Officer