



LAKES OIL NL

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20 July 2016

Dear Lakes Oil Shareholder

Moratorium Update

You will be aware that Lakes Oil's Victorian exploration efforts have for several years now been frustrated by a moratorium on onshore exploration in the state. A decision regarding the government's position is expected to be announced during August.

As you would expect, Lakes Oil has made a number of submissions to government and has provided information and assistance to a range of Industry players and unions arguing that the ban on onshore exploration should be lifted. The reasons for allowing at least conventional exploration to recommence are compelling. Conventional exploration has taken place onshore in the state for scores of years without incident. The compelling environmental, economic and employment benefits realisable for Victoria as outlined in Lakes Oil representations are summarised as follows:

Environmental Benefits:

- Combined cycle gas fired power stations emit around one third of the carbon dioxide emitted by brown coal power stations. If Victoria is to economically achieve its goal of 40% carbon dioxide emissions reduction by 2025, and Australia is to achieve its targets, it will require a combination of new renewable energy and gas fired power plants. This approach will ensure Victoria avoids the problems of electricity shortages and high prices that are presently plaguing South Australia.
- Gas is a clean and efficient fuel used in domestic, commercial and industrial settings in Victoria and is preferred by the Government's own environmental building codes. Continued supply and energy security at reasonable prices is crucial environmentally and economically.
- The environmental footprint of conventional onshore gas is very small when compared to other sources of power such as coal or wind.

Economic and Employment Benefits

- The main economic benefits come in terms of jobs and investment. Rapidly rising gas prices are hurting consumers and presenting a threat to the viability of industry in Victoria. Development of the state's onshore gas resources will ensure gas is available not only for existing industry and protection of existing jobs, but also to attract major new industry to the state and create substantial new job opportunities.
- Victoria will earn significant Royalties from onshore gas production, allowing the state to deliver social benefits such as education and hospitals. Victoria earns no Royalty income from gas produced offshore or interstate.

- Regional Victoria will benefit economically not only from the jobs and investment that will follow but also because of the “Royalties for Regions” proposal, which Lakes Oil supports, whereby funds will be made available from gas production royalties **to assist local communities**.

Lakes believes that it is imperative that the benefits of Victorian natural gas be promoted to stimulate investment and job creation, better funded local services and cheaper gas prices. I encourage Shareholders to reinforce the company’s message where they can.

Lakes Oil will continue to provide information and make representations up to the point the government’s decision is made and will keep Shareholders updated.

Yours sincerely,

A handwritten signature in black ink, appearing to read "C. Tonkin".

Chris Tonkin
Chairman
Lakes Oil NL