



LAKES OIL NL

ABN 62 004 247 214

PROSPECTUS FOR AN ENTITLEMENT OFFER OF SHARES ON A 1 FOR 4 BASIS AT 0.2 CENT PER SHARE EACH WITH A BONUS PERFORMANCE RIGHT

This Prospectus is dated 14 February 2017. It sets out details of the following offers to subscribe for new fully paid Shares in Lakes Oil NL (**Company**).

The Offer is a non-renounceable offer to subscribe for one (1) Share for every four (4) Entitlement Securities held as at the Record Date (**Offer**). Applications can also be made for oversubscriptions.

Those holders of Shares with less than a Marketable Parcel will be given the opportunity to subscribe for Shares to increase their holding to a Marketable Parcel (**Top Up Offer**).

Each new Share is issued with one bonus right (**Performance Right**) that will automatically, and at no cost, convert to 1.25 fully paid Shares in the Company should the Company's 60-day volume weighted average Share price exceed 0.8 cent per Share at any time before their Expiry Date. The Expiry Date of the Performance Rights is 1 January 2022. The Performance Rights are non-transferable.

The issue price of each offered Share is 0.2 cent. The issue is partially underwritten to \$1,500,000. The maximum that can be raised under the issue is \$12,601,211.04 before deduction of the costs of the Offer.

The closing date for acceptance of this Offer is
17 March 2017.

This is an important document. Please read it carefully. If you do not understand the contents of this Prospectus you should consult your stockbroker, accountant, solicitor or other professional adviser.

THIS IS A SPECULATIVE ISSUE

CORPORATE DIRECTORY

Directors

Chris Tonkin BSc (Hons.), BA, MBA, GAICD, CFTP (Snr) (Non Executive Chairman)
Barney I Berold BCom, MBA (Non Executive)
Nicholas Mather BSc (Hons. Geology) MAusIMM (Non Executive)
Ian R Plimer BSc (Hons), PhD, FTSE, FGS, FAusIMM (Non Executive)
William R Stubbs LLB (Non Executive)
Kyle Wightman BCom, MBA, FAICD, CFTP(Snr) (Non Executive)

Chief Executive Officer

Roland Sleeman BEng (Mech), MBA

Registered Office

Level 14, 500 Collins Street
Melbourne Victoria 3000

Telephone: (03) 9629 1566

Facsimile: (03) 9629 1624

Internet Addresses

E-mail: lakes@lakesoil.com.au

Web site: www.lakesoil.com.au

Note and Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Telephone: 1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

ASX codes

LKO - Shares (current)

LKOGA - Existing listed Converting Notes

LKOGB - Existing listed Converting Notes

TIMETABLE

Prospectus Date	Tuesday, 14 February 2017
Record Date	Friday, 17 February 2017
Closing Date	Friday, 17 March 2017
Issue Date (with despatch of Holding Statements to follow)	Friday, 24 March 2017
Commencement of normal trading of Shares on ASX	Monday, 27 March 2017

Please note that this timetable is indicative only and is subject to change.



LAKES OIL N.L.

ABN 62 004 247 214

Registered Office:
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14 February 2017

Letter from the Chairman

Dear Shareholders

On behalf of the Board of Lakes Oil NL, I am pleased to offer you the opportunity to participate in this non-renounceable one for four rights issue of new Shares and bonus Performance Rights. The issue is partially underwritten to \$1,500,000.

With the acquisition of Navgas Pty Ltd and its highly prospective exploration acreage now completed, and with significant legal proceedings underway against the Victorian Government, 2017 is shaping up to be a watershed year for Lakes Oil. The Performance Rights being issued as part of this capital raising may afford subscribers a generous uplift in their shareholding if these initiatives are successful.

Each Performance Right will, at no cost to right holders, convert automatically into 1.25 Shares in Lakes Oil should the Company's 60-day volume weighted average Share price go above 0.8 cent per Share before 1 January 2022. Details of this arrangement are set out in this Prospectus.

Shares being issued under this Prospectus will be priced at 0.2 cent each. While this is equal to the price at which the Company's Shares traded on average during January 2017, the issue of one bonus Performance Right, potentially converting at no cost into 1.25 Shares, with each new Share is intended to make this Offer quite attractive to investors.

Through this capital raising, the Company is seeking to raise funds for the purposes stated in this Prospectus and intends to prioritise exploration of its newly acquired Queensland acreage, ATP 1183. Several exploration leads have been identified within ATP 1183 and our plan is to move quickly to exploit the largest and most prospective of these. A successful exploration outcome has the potential to be quickly turned into cash flow for the Company since oil and gas pipeline infrastructure is close to and in some cases crosses, the permit area.

The Offer set out in the attached Prospectus also makes provision for holders of less than 250,000 Shares to top-up their respective Shareholdings. Your enclosed personalised Entitlements and Acceptance Form sets out your entitlement to Shares and bonus Performance Rights. Anyone taking up their Entitlements is also able to apply for additional Shares should this Offer not be fully subscribed.

On behalf of the Board, I thank you for your continued support of Lakes Oil and, given the near term prospects for the Company set out in this Prospectus, encourage you to participate in this investment opportunity.

Yours sincerely

Chris Tonkin
Chairman

OFFER SUMMARY

This Prospectus enables holders of Entitlement Securities to subscribe for fully paid shares in Lakes Oil NL (**Shares**) by way of a non-renounceable rights issue, together with an opportunity to apply for oversubscriptions. The price of the Offer is \$0.002 (0.2 cent) per Share. For each Share issued one Performance Right will also be issued. Each Performance Right will automatically convert into 1.25 Shares if the Company's 60-day volume weighted average Share price exceeds 0.8 cent per Share at any time prior to the Expiry Date of the Performance Rights. Subscribers should note that there is no guarantee that the Company's 60-day volume weighted average Share price will exceed 0.8 cent per Share before the Expiry Date.

Summary of Principal Terms

Existing holders of Shares or Converting Notes are offered the opportunity to subscribe for Shares in the Company at an issue price of \$0.002 (0.2 cent) per Share.

For each new Share issued, one bonus Performance Right will also be issued. Performance Rights will be unlisted and non-transferable, and will have an Expiry Date of 1 January 2022. If the Company's 60-day volume weighted average Share price exceeds 0.8 cent per Share at any time prior to the Expiry Date each Performance Right will automatically, and at no cost to subscribers, convert into 1.25 Shares. Conversion of Performance Rights may also occur in the event of a takeover of the Company or scheme of arrangement at more than 0.8 cent per Share. There is no other basis upon which the Performance Rights will convert.

Full details of the Performance Rights are set out in Annexure A, and these should be reviewed in detail to fully understand their terms.

The purpose of the Performance Rights is to provide subscribers with an opportunity to receive further equity in the Company in recognition of the present unique circumstances of the Company. As set out in section 7 of this Prospectus, while the Company intends to prioritise exploration of its recently acquired and highly prospective Queensland exploration acreage (this being the core business of the Company), it also has significant legal proceedings underway against the Victorian Government. The legal proceedings currently underway relate to a claim by the Company Group for compensation for damage caused by the Victorian Government's banning of onshore petroleum exploration activity within Victoria. Given the quantum of damages claimed by the Company in those legal proceedings, a favourable outcome from the litigation proceedings may result in a large increment in the value of the Company and its Shares.

Entitlement

◆ Entitlement Securities

Entitlement Securities collectively comprise, and are calculated as the sum of, Shares, Converting Notes (LKOGA) multiplied by a share conversion factor of 6,667 and Converting Notes (LKOGB) multiplied by a share conversion factor of 9,091.

Holders of Entitlement Securities are entitled to 1 Share for every 4 Entitlement Securities held on the register as at 7 PM Australian Eastern Daylight Saving Time on the record date of 17 February 2017 at an issue price of \$0.002 (0.2 cent) per Share. Fractional entitlements will be rounded up. Your enclosed Entitlement and Acceptance Form sets out your entitlement. The entitlements are non-renounceable, so entitlements not taken up will lapse. Applications can also be made for oversubscriptions.

Options do not give rise to any entitlement to participate in this Offer.

◆ Top Up Offer

Those holders of Shares with less than a Marketable Parcel will be given the opportunity to subscribe for Shares to increase their holding to a Marketable Parcel (**Top Up Offer**). A Marketable Parcel is considered to be 250,000 Shares. Your enclosed Entitlement and Acceptance Form sets out your entitlement.

Unless otherwise extended, the closing date for receipt of payment and applications is 5 PM Australian Eastern Daylight Saving Time on **17 March 2017**.

Investment Features

Lakes Oil NL has designed this Offer to provide two avenues of potential upside for subscribers:

- near-term involvement in highly prospective oil and gas exploration activity, details of which are presented in section 6 of this Prospectus; and
- indirect participation in the Company Group's legal proceedings against the Victorian Government in order to share in any potential benefit gained through a favourable outcome from those proceedings, details of which are set out in section 8 of this Prospectus.

In particular:

- The Company plans to expedite exploration activity within the recently acquired exploration permit ATP 1183, in Queensland. Several highly prospective drilling opportunities have already been identified within the permit area and, subject to funding and approvals, are intended to be drilled during 2017. Given the favourable location of ATP 1183 relative to existing infrastructure it is envisaged it will be possible for any discovery of oil or gas to be quickly brought into production.
- Through the legal proceedings, the Company Group is, subject to full and final assessment, seeking \$2.717 billion of compensation from the Victorian Government. This comprises \$92 million of expenditure incurred plus \$2.625 billion of lost opportunity. A favourable outcome from the litigation proceedings could lead to a material increase in the Company's market capitalisation.
- Shares issued pursuant to this Prospectus, and any Shares issued upon conversion of Performance Rights, are intended to be listed on the ASX. Performance Rights will not be transferrable.

The conditions of issue of the Shares are described in section 2. The terms of issue of the bonus Performance Rights are detailed in Annexure A and should be reviewed in detail.

1. RISK FACTORS SUMMARY

The Offer is a speculative issue. The Shares and Performance Rights carry with them the following key risk factors, which are set out in more detail in section 9 of this Prospectus, together with other risk factors which are also described in section 9:

- There is no minimum subscription level and the issue is only partially underwritten (in the amount of \$1,500,000). The Company's cash balance as at 31 January 2017 was approximately \$300,000. This cash balance, together with the underwritten amount, is not sufficient to cover the intended use of funds for the period ending 31 January 2018 which are set out in section 7 of this Prospectus. There is no guarantee that Company will be able to secure sufficient funding under this Offer to achieve its objectives, the success of which is dependent on shareholder support and the ability to obtain investor support for any shortfall that may arise. If support for this Offer is insufficient, then the Company will need to consider reducing its forward work programme or implementing some or all of the alternative funding strategies set out in section 9 of this Prospectus. None of these alternatives have been determined at present, and any need to implement a funding alternative would be considered if required having regard to the circumstances at that time. However, no assurance can be given that the Company will be able to implement any specific alternative. If an alternative funding strategy is not implemented then the Company will only be able to undertake a minimal programme of work, information on which is provided in section 7 of this Prospectus.
- The auditors issued a Disclaimer opinion in Lakes Oil's audited accounts for the financial year ended 30 June 2016. This Disclaimer opinion was based on the Company's ability to carry on as a going concern which was subject to its ability to raise sufficient funding. Following the announcement by the Victorian Government on 30 August 2016 of the ban on gas exploration in Victoria, the auditors were unable to satisfy themselves that the Company continued to have the ability to fund the ongoing cash requirements of the Company.

- The business of oil and gas exploration and production, by its nature, contains elements of significant risk with no guarantee of success.
- The Performance Rights will not be listed on the ASX and their value is dependent upon the Company's 60-day volume weighted average Share price exceeding 0.8 cent per Share at any time prior to the Expiry Date of the Performance Rights. There are two avenues for growth of the Share price – exploration success and/or a favourable outcome from the legal proceedings against the Victorian Government. In the event exploration is not successful and the outcome of the legal proceedings is unfavourable conversion of the Performance Rights into Shares may not occur and the Performance Rights will be of no value. Even if exploration efforts are successful and/or the legal proceedings are favourably concluded, there can be no guarantee as to either the value of Shares or the potential for conversion of Performance Rights into Shares.
- The legal proceedings, by their nature, also involve significant risk. Further, it is known that the Victorian Government is attempting to use legislation to avoid liability for the damages caused by its actions. While the Company's legal advisors and senior counsel are highly regarded experts in their relevant legal fields and are confident in the arguments they are developing, there is no guarantee of success. Legal proceedings are costly and it is difficult to estimate with certainty the likely costs involved or to provide assurance that third party litigation funding may be available.

2. CONDITIONS OF ISSUE

The conditions of issue of Shares offered pursuant to this Prospectus are set out below. The terms of the bonus Performance Rights issued contemporaneously with the Shares are set out in Annexure A.

Issuer	Lakes Oil NL ABN 62 004 247 214
Securities	Ordinary shares, fully paid
Issue Price	\$0.002 (0.2 cent) per share
Offer	Subject to the Top Up Offer, holders of Entitlement Securities are offered a non-renounceable right to subscribe for 1 Share for every 4 Entitlement Securities they hold or are entitled. Fractional entitlements will be rounded up to the nearest whole number.
Top Up Offer	Holders of Shares, whose aggregate holding of Shares including provision for the Offer is less than 250,000 Shares, are offered that quantum of Shares at the Issue Price that will increase their aggregate holding to 250,000.
Size of issue	Up to \$12,601,211.04.
Shareholder shortfall applications	As the Offer is only partially underwritten, holders of Entitlement Securities will have the right to apply for oversubscriptions. The directors reserve the right to place any residual shortfall at their discretion during the 3 months after the close of the Offer.
Listing	The Shares will be listed on ASX.
Disclosure Document	The Shares are issued under a "limited disclosure" section 713 prospectus under the Corporations Act. For details see section 11 of this Prospectus.

Security ranking The Shares to be issued are of the same class and will rank equally with existing Shares on issue.

Performance Right For each Share issued one bonus Performance Right will also be issued. Full details of the Performance Rights are set out in Annexure A.

Voting rights Holders of Shares have a right to vote at general meetings of shareholders of the Company.

3. EFFECT OF OFFER ON CAPITAL STRUCTURE

The Company currently has 21,657,033,077 Shares (ASX:LKO) on issue.

In addition, there are:

- 343,977 listed unsecured converting notes (ASX:LKOGA) which will convert into Shares on 31 March 2017 at a rate of between 5,000 to 1 and 6,667 to 1 depending on the Share price at the date they mature. This will increase the number of Shares on issue by between 1,719,885,000 Shares and 2,293,294,659 Shares; and
- 137,729 listed unsecured converting notes (ASX:LKOGB) which convert into Shares on either 31 May 2017, 30 November 2017 or 31 May 2018 at a rate of between 9,091 to 1 and 10,000 to 1 depending on the Share price at the date they mature. This will increase the number of Shares on issue by between 1,252,094,339 Shares and 1,377,290,000 Shares.

The issue of all of the Shares under this Prospectus would:

- increase the number of Shares on issue by 6,300,605,519 (subject to rounding), giving a total of 27,957,638,596 Shares on issue; and
- if the Performance Rights are converted into Shares, further increase the number of Shares on issue by 7,875,756,898 (subject to rounding).

In addition:

- there are 41,000,000 options held by non-director employees exercisable at \$0.005 (0.5 cent) each expiring on 8 January 2021;
- the CEO has entered into an agreement with the Company to extend his independent contractor agreement for a period of up to six months from December 2016. Mr Sleeman's remuneration in part comprises a monthly issue of Shares (instead of cash) with up to an aggregate maximum of 54,166,666 Shares issuable over the six month period from 8 December 2016 to 7 May 2017. As at the date of this Prospectus Mr Sleeman has been issued 27,083,334 Shares; and
- as approved by shareholders on 16 January 2017, the Company proposes issuing Shares to its directors on a monthly basis in arrears for the period from 1 January 2017 to 30 November 2017 as consideration for 50% of the directors' fees payable to them. The number of Shares issued each month will be determined by dividing the monthly fees payable by the monthly volume weighted average price of Shares, subject to a floor price of \$0.001 (0.1 cent) per Share. The maximum aggregate number of Shares to be issued per month is 8,333,334. At the date of this Prospectus this issue of Shares has commenced with the issue of 4,166,664 Shares for the period 1 January 2017 to 31 January 2017.

4. APPLICATIONS

Your Entitlement and Acceptance Form should be completed in accordance with the instructions contained on it. You should carefully read this Prospectus and the application lodgement instructions (including payment details) before applying. You can apply using cheque, credit card or BPAY®. If payment is made

by cheque, a cheque for the total amount due must accompany the form. All applications are subject to payments clearing.

Shares and Performance Rights issued in respect of Applications received by the closing date of 17 March 2017 are expected to be allotted on 24 March 2017 (with despatch of Holding Statements to follow) and normal trading to commence on 27 March 2017. Investors who wish to sell Shares immediately following the close of the Offer should ensure they will be or have been issued Shares before committing a trade. The Shares and bonus Performance Rights will be issued onto the same SRN or HIN that generated the entitlement. Otherwise they should consider waiting for written proof of the issue of Shares into their name before they trade. The Performance Rights are not transferable.

Application monies will be held in trust in a subscription account until the issue of Shares occurs. The Company will be entitled to any interest earned in this account.

In respect of successful general shortfall applications lodged by or through holders of financial services licences on a deferred delivery basis, Lakes Oil will pay a brokerage fee of 5%.

5. MAJOR SHAREHOLDERS' AND DIRECTORS' INTENTIONS

While the Company's major shareholders have not committed to subscribe for Shares under this Offer, as set out in section 10 of this Prospectus DGR Global Limited, itself a shareholder in both Dark Horse Resources Limited and Armour Energy Limited, is partially underwriting this Offer.

The majority of directors of the Company have indicated it is their intention to subscribe for their full entitlements under this Offer.

6. SHORTFALL APPLICATIONS

If there is any shortfall after the close of the Offer, the directors may offer the shortfall to other investors at the same price as the Offer under this Prospectus. Shortfall applications will only be accepted until 3 months after the close of the Offer or until the whole of any shortfall has been allotted whichever is the earlier and only then at the directors' discretion. The Company may accept shortfall applications progressively during this period. The Company may at the directors' discretion close the acceptance of shortfall applications earlier than that maximum period.

7. USE OF FUNDS

The Company's cash balance as at 31 January 2017 was approximately \$300,000. If the Offer is fully subscribed, a further \$12,601,211.04 less the costs of this Offer (approximately \$500,000 based upon estimated legal and administrative costs of the Offer, the Underwriting Fee payable, and allowance for additional commissions) will be raised. The use to which funds raised will be put during the course of calendar year 2017 is outlined and summarised in the Table below.

Subject to the quantum of funds raised through this Offer, the Company's cash flow forecast as at the date of this Prospectus contemplates a net cash outflow of between approximately \$1,500,000 and \$12,600,000 for the 12 month period thereafter. As set out below, this includes:

- expenditure estimated at \$6.3 million for exploration and activities including, in particular, drilling two exploration wells within the Company's wholly owned ATP 1183 (Queensland) acquired through the purchase of Navgas Pty Ltd. Details of this proposed exploration activity are set out in subsections A and B below;
- the \$600,000 balance of repayment of a \$1 million loan after first allowing for the proceeds of sale of a portion of the land over which the loan is secured. The Company has agreed to sell a portion of the land over which the mortgage is secured. The sale will be completed following subdivision of the land. Arrangements have been made for the subdivision to proceed, and it is anticipated the sale will be completed by mid 2017. The Company's loan, secured by the land, makes provision (by 4 months notice) for early repayment of the loan. Subject to adequate funds being raised, early loan repayment is proposed in order to avoid ongoing interest costs of 1% per month.;
- all or part of the costs of funding litigation proceedings against the Victorian Government, with the Company's preference (subject to negotiation of satisfactory terms, as outlined in section 8 of this Prospectus) being to make use of third party litigation funding; and

- general corporate operating costs, including office rental, employee costs and share registry costs. The Company has, and will continue to, implement whatever cost saving measures can be identified in order to maximise the percentage of shareholder funds directly employed in exploration activity.

If the Offer is not fully subscribed then the Company will adjust its programme of works as necessary. Potential adjustments include:

- exploration activity will be reduced or curtailed. There are presently no firm commitments in respect of South Australian acreage, and commitments in respect of Queensland acreage can be carried forward to future years;
- the amount of litigation funding used for the legal proceedings against the Victorian Government;
- the mortgage over the Company's Owens Lane property will not be repaid during the 2017 calendar year; and
- working capital will be reduced.

Proposed Breakdown of Spending for Raised Capital				
Expenditure	Activity	Forecast Minimum Expenditure	Forecast 'Low-range' Expenditure	Forecast Maximum Expenditure
Exploration Expenditure Queensland (see Note 1)	Geological and geophysical review	\$0.1m	\$0.5m	\$0.5m
	1 well ATP 1183	-	-	\$1.8m
	2 nd well ATP 1183	-	-	\$2.0m
	2 x workovers ATP 1183	-	\$1.0m	\$1.0m
Exploration Expenditure SA (see Note 1)	1 corehole PELA 631	-	-	\$1.0m
Legal Proceedings	Vic Gov't Damages Claim	\$0.5m (see Note 2)	\$0.5m (see Note 2)	\$0.5m (see Note 2)
Capital Raising	Raising Costs	\$0.2m	\$0.2m	\$0.5m
Mortgage Repayment	Owens Lane Property	-	-	\$0.6m
Corporate costs	Office, Employees, Administration	\$0.7m	\$1.1m	\$1.7m
<i>Subtotal</i>		\$1.5m	\$3.3m	\$9.6m
Provision for further exploration activity, or for installation of oil or gas production facilities.		-	-	\$3.0m
<i>Total</i>		\$1.5m	\$3.3m	\$12.6m

Note 1: Subject to funds raised, exploration expenditure in respect of the Queensland and South Australian acreage acquired by the Company through the acquisition of Navgas Pty Ltd will lie between the forecast minimum and forecast maximum amounts. The forecast maximum corresponds with the work programmes set out in section 7 of this Prospectus, the objective of which is to expedite commercialisation of key prospects within ATP 1183 (Queensland). The forecast minimum represents the absolute minimum level of expenditure. An aggregate level of expenditure in the range \$0.5m to \$1.0m, as was referenced in the Company's Notice of Annual General Meeting issued in December 2016, would correspond to a modest

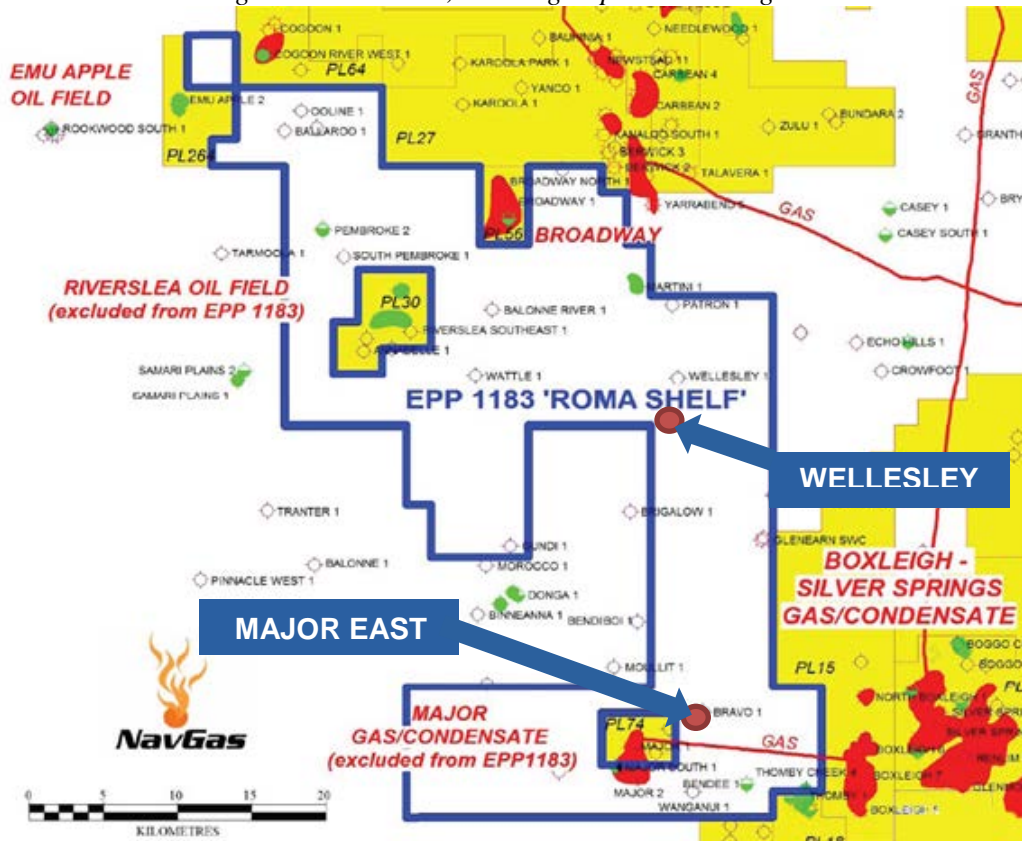
programme of work aimed at refining knowledge in preparation for a drilling programme, but would not on average be sufficient to meet commitments over the life of the permits.

Note 2: Expenditure on legal proceedings is dependent upon the outcome of discussion regarding litigation funding and also upon the timing (or rate of progress) of the legal proceedings. More information regarding these matters is presented in section 8 of this Prospectus. The tabulated expenditure provides for proceedings in advance of securing litigation funding.

A. Queensland Exploration

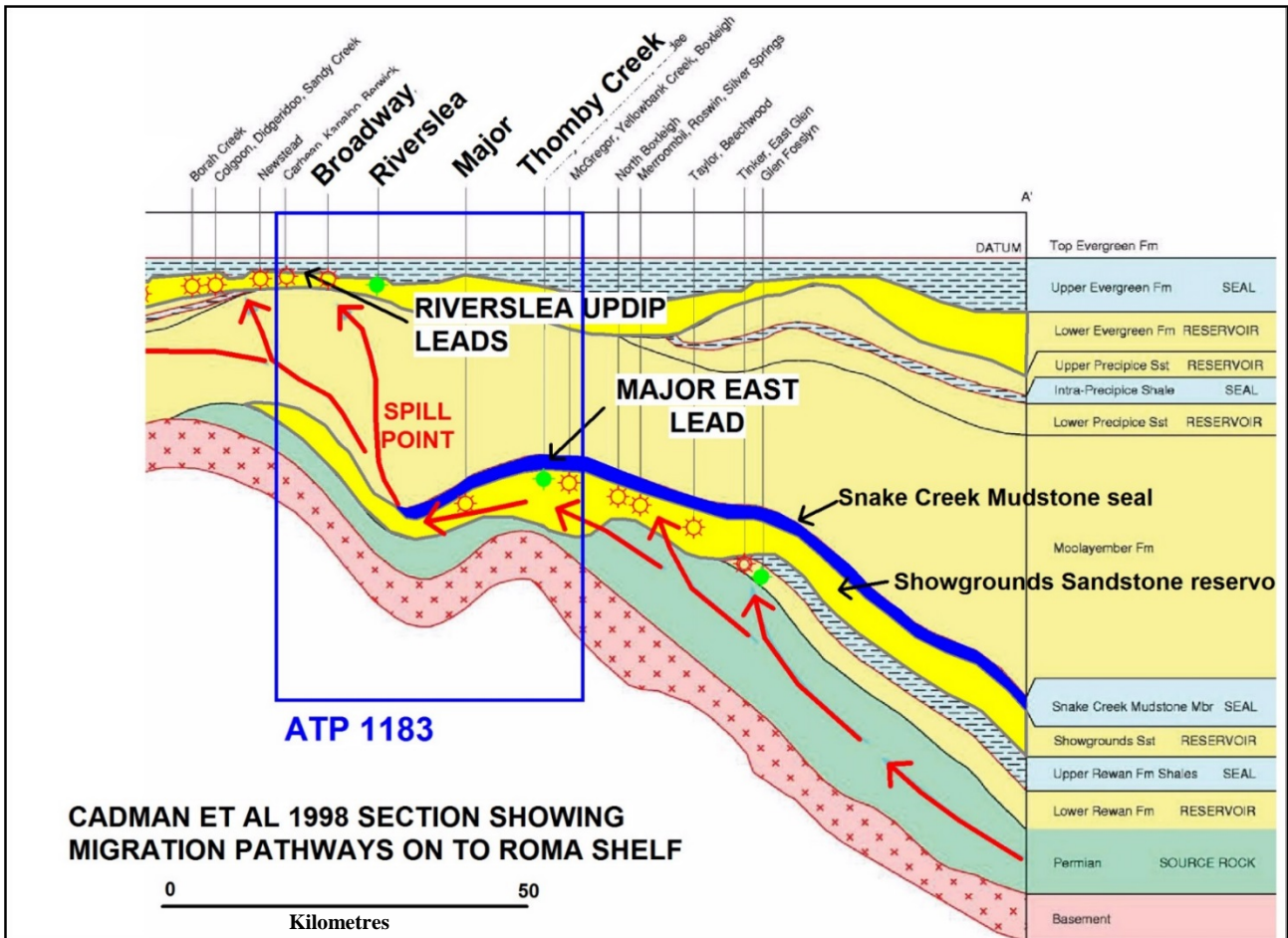
ATP 1183, located on the Roma Shelf in Queensland, is held by the Company's wholly owned subsidiary, Navgas Pty Ltd. As illustrated in Figure 1, the tenement area surrounds (but does not include) the existing Riverslea oil field and the Major gas/condensate field. Figure 1 also shows key exploration targets, details of which are provided below.

Figure 1: ATP 1183, Showing Exploration Targets



As illustrated in Figure 2, the principal reservoir units within the ATP 1183 tenement area are the Triassic Showgrounds Formation and the Jurassic Evergreen Formation. The Snake Creek Mudstone forms a regional seal within the eastern half of the permit but is absent to the west, allowing hydrocarbons to spill out and migrate upwards into reservoirs in the Evergreen Formation. The entire area of ATP 1183 to the east of the Major oil field is interpreted to be a pool of condensate which will have filled all available traps.

Figure 2: Roma Shelf (Southern ATP 1183) Migration Pathways

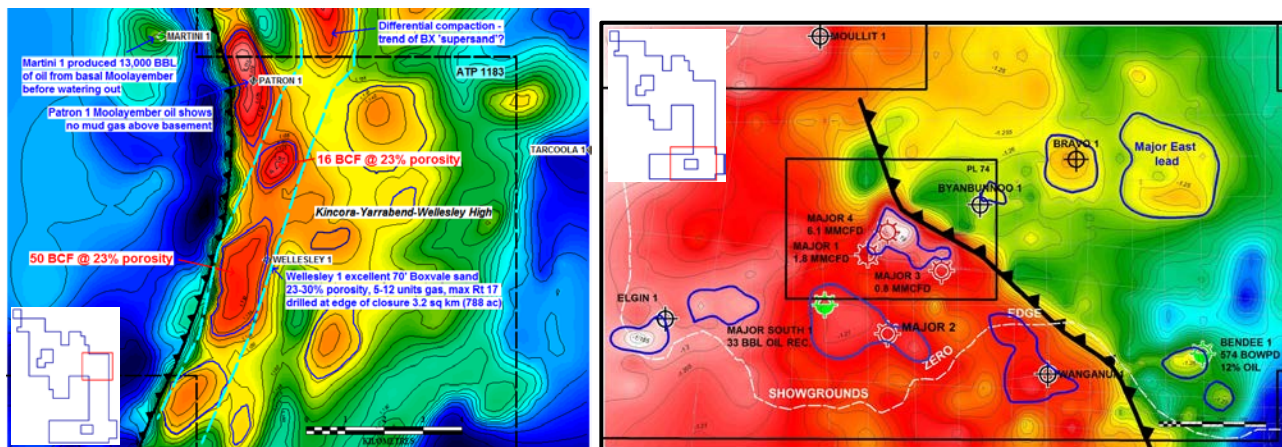


Many exploration leads and plays have been identified within ATP 1183. The exploration programme proposed for ATP 1183 involves drilling of the largest and most prospective of the identified leads, namely (as illustrated in Figures 3a and 3b) in particular:

- Wellesley Dome - A fault bound, three way dip closure approximately 4.4km² in area, and lying on the Kincora-Yarrabend-Wellesley High to the south of the productive Kincora Gas Field. The proposed well would be drilled to a depth of approximately 1,650m to test the updip potential of the Boxville Sands within the Evergreen Formation. The Boxville Sands exhibited elevated gas levels and very good porosity (>23%) in the Wellesley-1 well, which was drilled in 1979 by BHP but was located on the edge of the structural closure and was not tested. The Wellesley Dome has a prospective gas resource of 41 BCF (source of estimate: Lakes Oil NL Quarterly Report for 3 months ended 31 December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons).
- Major East Lead – A four way dip closure approximately 5km² in area, located to the east of the producing Major Gas Field. The proposed well would be drilled to a depth of approximately 1,850m to test the Showgrounds Sandstone, which is the productive reservoir in the surrounding fields. The Major East Lead has a prospective gas resource of 13.8 BCF (source of estimate: Lakes Oil NL Quarterly Report for 3 months ended 31 December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of

development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons).

Figures 3a and 3b: Proposed Wellesley and major East drilling targets



In addition to the proposed exploration drilling, two historic wells will potentially be re-entered (depending on further studies to confirm their suitability) to target oil pay zones which appear to have been missed during previous testing activities. Incorrect depth correlations between logging, drilling and testing activities meant that the zones of interest were missed or only partially tested, resulting in sub-economic results. For example, in the case of the Bendee-1 well it appears that the oil pay zone was bypassed. Re-entry and re-completion of affected wells could provide quick cash flow opportunities as the wells are oil focussed and will not require significant infrastructure to be built to get product to market.

The estimated cost of the two well exploration programme is \$3.8 million with the re-entry program estimated to be approximately \$1.0 million. The prospects for exploration success are considered good, with historically more than 1 in 3 wells drilled on structural closure in the Roma Shelf area being successful. Development of any oil, condensate or gas discovery will be relatively straightforward given the extent and proximity of existing production, processing and pipeline infrastructure in the area of ATP 1183. Further, gas shortages on the east coast of Australia, caused by the demand for gas for LNG export along with exploration bans in NSW and Victoria, mean that sustained high gas prices are likely to be achievable over the foreseeable future.

B. South Australian Exploration

The Company's South Australian Petroleum Exploration Licence Application (PELA) areas, within the central Flinders Ranges to the north of Port Augusta, are held within Navgas Pty Ltd and have both oil and shale gas production potential. Petroleum exploration activities in the general area first commenced in 1956, when Santos was established to drill for oil at Wilkatana. While this, and subsequent drilling by other companies, has historically confirmed the presence of oil and gas across the area of interest, modern exploration techniques have not been applied.

Of particular interest to the Company are:

- the potential for oil production to the north of Wilkatana (in an area of closure, associated with the Torrens Hinge Zone, that can be identified on modern seismic data but which has not yet been drilled); and
- the potential for production of gas from the Tindelpina Shale, which has been demonstrated to contain gas but not explored using modern techniques.

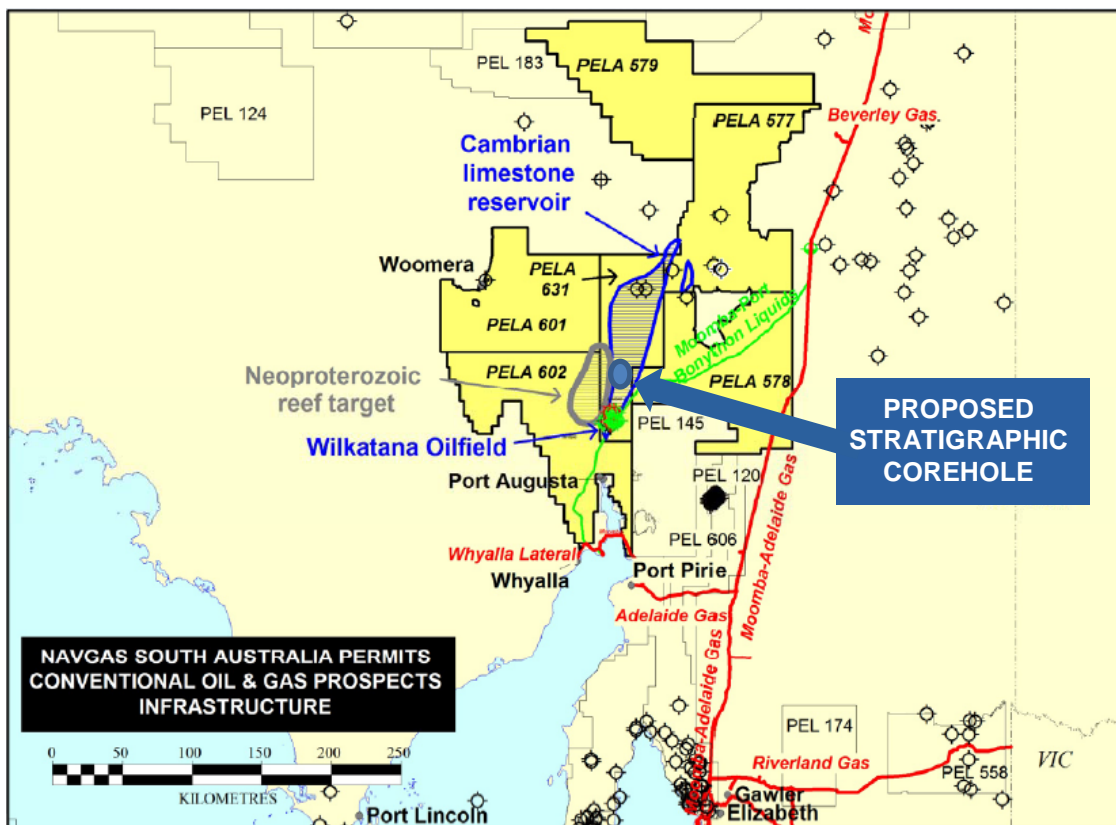
Before petroleum exploration activity can be undertaken, native title access arrangements need to be formalised in order that the licence applications can be converted into licences. Since this is itself a time consuming and relatively expensive process, the Company proposes to first:

- review and reprocess historic data, including more recent seismic information gathered by Geoscience Australia, in order to determine which PELAs should be the focus of ongoing exploration; and
- as a complement to the above, investigate the potential for information sharing with other exploration companies active within the region, including those pursuing minerals and/or geothermal opportunities.

Provision has been made for potential joint activities, such as drilling of stratigraphic corehole(s), as indicated in Figure 4.

South Australia has in recent times suffered economically damaging shortages of gas and electricity, and the South Australian Government is supportive of the Company's proposed exploration effort. Subject to resolution of native title arrangements, the risks of which are referred to in section 8 of this Prospectus, development of oil or gas discoveries within the Company's South Australian acreage will be simplified by the proximity of the acreage to existing gas and oil pipelines. This is illustrated in Figure 4.

Figure 4: South Australian Licence Application Areas



8. LEGAL PROCEEDINGS

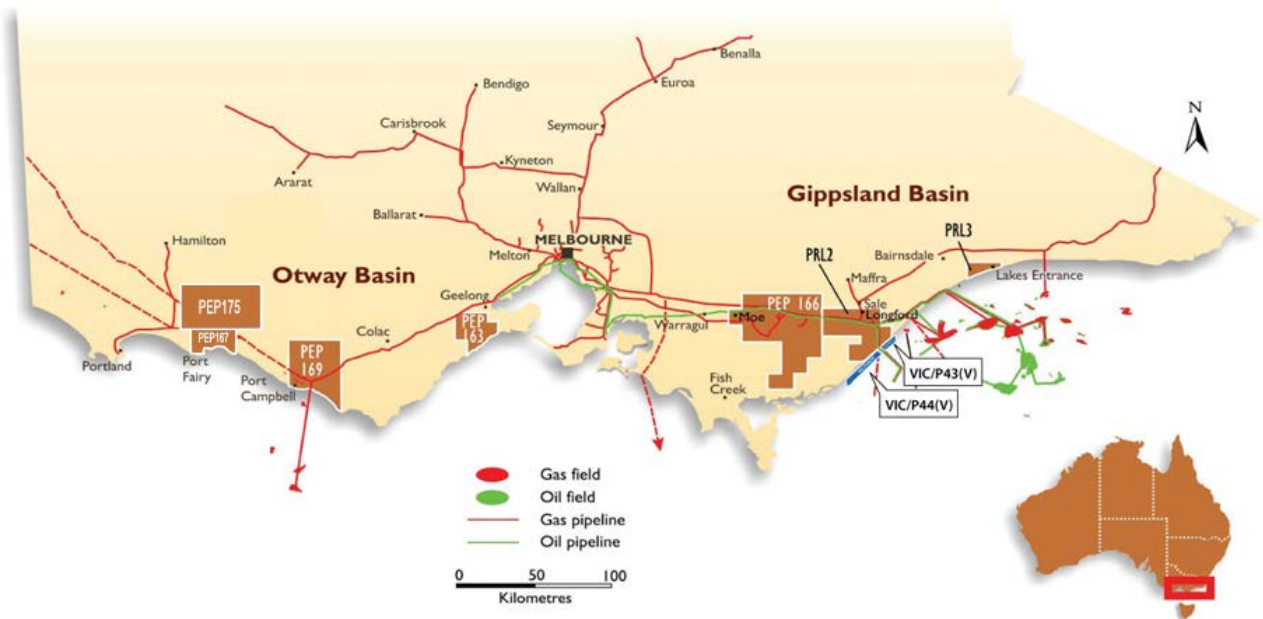
The Company and its wholly owned subsidiaries (**Company Group**) has launched two separate legal proceedings against the Victorian Government (through the Minister for Resources) in the Supreme Court of Victoria.

The first, launched on 27 October 2016, seeks Judicial Review of the Minister for Resources various decisions to refuse to give approval to conduct petroleum exploration activities. The Judicial Review process involves consideration of whether the Minister has complied with the law.

The second, launched on 6 December 2016, involves a claim by the Company Group for damages arising from Derogation from Grant. The Derogation from Grant claim is based upon a fundamental legal principle that a party, having given something with one hand, is not to take away the means of enjoying it with the other. The Company considers that the Victorian Government's actions, in depriving the Company of its opportunity to use its exploration permits for the purpose for which they were intended, constitutes a Derogation from Grant. Damages are sought for the losses suffered by the Company as a result of the Minister's conduct. The quantum of damages claimed exceeds \$2.7 billion, including some \$92 million of past expenditure and over \$2.6 billion in the current value of lost future earnings.

The future earnings component is risk-weighted and is based upon loss of earnings from exploration of the Company's Victorian conventional gas resources only. The Company's Victorian exploration acreage is illustrated in Figure 5.

Figure 5: Victorian Permits



The potential of the Company’s Victorian exploration acreage is, in part, set out below.

Prospect	Estimated Recoverable Gas*
Wombat	329 Bcf (2C)
Trifon-Gangell	390 Bcf (2C)
PEL 175 Focus Area	11,469 Bcf (P50)

**source of estimate: Lakes Oil NL 2016 Annual General Meeting Presentation. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

A Directions Hearing, to set out a programme for the Derogation from Grant proceedings, was held in the Victorian Supreme Court on 3 February 2017. Key components of the programme set by the Court are as follow:

- i) the Company Group is to file and serve its final statement of claim (to take into account relevant aspects of the Judicial Review, which will be dropped as a stand-alone proceeding) by 27 February 2017;
- ii) the defendant (that is, the Victorian Government) is to file and serve its defence by 12 April 2017;
- iii) the Company Group is to file and serve any reply to the defendant’s defence by 1 May 2017; and
- iv) a further directions hearing will be held on 5 May 2017.

There has been strong interest from litigation funder(s) regarding provision of funding for the legal proceedings. The Company intends to progress discussions in this regard. Depending upon those discussions, litigation funding may involve:

- The litigation funder meeting the costs of the legal proceedings;

- The litigation funder retaining (subject to terms agreed) of the order of one third of any damages awarded to or received by the Company as a consequence of completion or settlement of the legal proceedings; and
- The litigation funder indemnifying the Company for an adverse cost order should the legal proceedings fail.

If there is insufficient support for this Offer and litigation funding is not available to the Company, then the Company may have no alternative but to terminate the legal proceedings.

9. RISK FACTORS

Due to the inherently uncertain nature of oil and gas exploration, an investment made under this Prospectus should be considered speculative. Investors should realise that the value of their investment may fluctuate and that a dividend is not expected to be declared by the Company in the absence of exploration success, followed by commencement of petroleum production. Whilst the Company attempts to minimise the following risk factors, the majority of them are beyond its control. This list of risk factors should not be taken as exhaustive of the risks faced by the Company or by investors. These factors and others not specifically referred to may materially affect the performance of the Company and the value of its issued shares:

- Investment Risk:** Holders of Shares have no right to a repayment of their investment, and the entitlements of Holders of Performance Rights will be either satisfied through the issue of Shares on conversion, or will lapse on the Expiry Date. Investors should appreciate that an investment in Shares carries risks. The Share may not be tradeable at their issue price, and liquidity may be thin. The Shares are not redeemable in any circumstance and, in the event of external administration or liquidation (i.e., insolvency), are likely to be of minimal value. The Performance Rights are not transferable and are not redeemable.
- Funding Risk:** This issue is only partly underwritten to \$1,500,000, and there is no minimum subscription level. The Company's cash balance as at 31 January 2017 was approximately \$300,000. This cash balance is not sufficient to cover the intended use of funds over the course of the 12 month period ending 31 January 2018, details of which are set out in section 7 of this Prospectus. There is no guarantee that the Company will be able to secure additional funding under this Offer, the success of which is dependent on shareholder support and the ability to obtain investor support for any shortfall that may arise. If such support is not forthcoming, the Company will need to consider reducing its forward work programme (as outlined in section 7 of this Prospectus) or implementing some or all of the following alternative funding strategies:
 - Further sale of Gippsland real estate properties, subject to repayment of a loan that is secured over these properties and which is included in the net cash outflow described above.
 - Farm-out or sale of existing exploration projects.
 - Further equity funding.

None of these alternatives have been determined at present, and any need to implement a funding alternative would be considered if required having regard to the circumstances at that time including the amount raised under the Offer. However, no assurance can be given that the Company will be able to implement any specific alternative or raise any particular amount through implementing any of them. The auditor's opinion in the Company's audited accounts for the financial year ended 30 June 2016 is subject to a qualification that its ability to carry on as a going concern is subject to its ability to raise sufficient funding.

- Victorian Exploration Risk:** The Victorian Government has tabled legislation (*Resources Legislation Amendment (Fracking Ban) Bill 2016*) to give itself the power to implement a total ban on hydraulic stimulation and coal seam gas exploration within onshore Victoria, and to extend the ban on all other onshore petroleum exploration until at least 2020. The ban on these activities was first introduced in 2012. At the date of this Prospectus the legislation has passed through the lower house of Victorian Parliament but has yet to be ratified by the upper house. The Victorian Opposition has expressed support for the legislation and it is therefore anticipated it will pass through Parliament in its present form. This will mean the Company will not be able to undertake petroleum exploration activities, including straightforward testing of existing wells, within its Victorian exploration

acreage. If the legislation does not pass through Parliament then the Victorian Government will not have the power to enforce the exploration ban, but it is unlikely this would result in a straightforward resumption of exploration activity. It is also possible that the legislation could be amended before passing through Parliament, in which case it is unclear what impact the amended legislation could have. While the Company has taken actions to deal with the Victorian exploration ban including:

- the acquisition of non-Victorian exploration acreage in Queensland and South Australia; and
- the initiation of litigation proceedings against the Victorian Government seeking compensation from the Victorian Government for damages caused to the Company and its shareholders by the Government's actions,

the extent if any to which the Company may be able to undertake exploration activity within Victoria is unclear, and the Victorian Government is not allowing the processing of any exploration activity approvals.

- (d) **South Australian Exploration Risk:** The South Australian Liberal party has announced that, if it is elected to Government in 2018, it will impose a 10-year moratorium on any exploration for or development of unconventional gas in the Limestone Coast area (otherwise known as the South-East). The party has also indicated that it will continue to support exploration for and development of unconventional gas resources in the Cooper and Eromanga Basins in the State's Far North, within which the Company's South Australian exploration acreage is located. Despite this, there remains a risk that a future South Australian Government may introduce a more widespread moratorium or ban on exploration activity (whether conventional or unconventional).
- (e) **Litigation Risk:** On 6 December 2016 the Company initiated legal proceedings against the Victorian Government in the Supreme Court of Victoria. Through the legal proceedings the Company is claiming for damages arising from 'derogation from grant'. The derogation from grant claim is based upon a fundamental legal principle that a party, having given a thing with one hand, is not to take away the means of enjoying it with the other. The legal proceedings, by their nature, involve significant risk. In particular:
- While the Company's legal advisors and senior counsel are highly regarded experts in their relevant legal fields and are confident in the arguments they are developing, there is no guarantee the legal proceedings will be successful. An adverse outcome could lead to the Company being liable for payment of the Victorian Government's costs of defence and, thereby, significantly erode the Company's cash position and market value. While options (such as insurance or use of litigation funding) for dealing with this downside will be investigated, there is no certainty that they will be available.
 - There is a risk that the legal proceedings may be terminated should it become apparent that they will not be successful.
 - The legal proceedings may be protracted, and may be subject to appeal by the Victorian Government, should it lose in the Victorian Supreme Court, or by the Company Group, should it lose. There is a risk that the legal proceedings may not be complete by the Expiry Date of the Performance Rights, in which case the Performance Rights will lapse without conversion.
 - The Victorian Government is attempting to include in the legislation it has referred to Parliament provisions to retrospectively avoid liability for the damages caused by its actions. There is no guarantee that the Company's legal advisors will be successful in formulating avenues to overcome this unprecedented Government action.
- (f) **Contractual Dispute Risk:** Contractual disputes with joint venture partners, operators and contractors can arise from time to time. Some of the Company's projects are conducted as joint ventures. Where a venture partner does not satisfy its financial or other commitments or act in the best commercial interest of the project, it could have a material adverse effect on the interests of the Company. The Company is unable to predict the risk of financial failure, non-compliance with obligations or default by a participant in any venture to which it is, or may become, a party, or insolvency or managerial failure by any of contractors used by the Company in its exploration activities. Given that the Company has entered into joint venture and farmout agreements, the inability of those joint venturers or farminees to meet contracted obligations could adversely affect the Company's capacity to carry out its own activities. One present contractual dispute risk is set out

on page 4 of the Company's 2016 Annual Report. Specifically, the Company's interest in Victorian Petroleum Retention Lease 2 (PRL2) is subject to the outcome of discussions with Armour Energy Limited (Armour) regarding Armour's purported exercise of an entitlement to match farm-in rights previously held by Beach Energy Limited and Somerton Energy (now Cooper Energy) Limited. Beach and Somerton withdrew from the farm-in agreement in August 2013, at which time they had a right to earn a net 15% interest in PRL2 by funding a \$10m programme of work. The Company and Armour have reserved their rights in relation to this matter, which is yet to be resolved.

- (g) **Exploration Company Risk:** As the Company is an exploration company, the market's perception of the value of its shares can alter significantly from time to time, causing fluctuations in the Company's share price. Fluctuations may also occur as a result of factors influencing the price of shares in exploration companies or share prices generally, as well as drilling activities by other parties in the same general region. The price of shares rises and falls and many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment. The stockmarkets generally remain volatile. More generally, the Navgas South Australian interests are held in the form of licence applications which need to convert into exploration licences and then in due course production licences before petroleum can be produced, which carries with it various regulatory and process risks.
- (h) **Industry Nature Risk:** Oil and gas exploration activity, especially drilling, by its nature is risky. Where exploration is successful, drilling operations can be affected by breakdowns, adverse weather conditions, site and geographical conditions, operational risks, shortage or delays in the delivery of rigs and/or other equipment, industrial disputes, government regulations, environmental issues and unanticipated costs. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by the Company. Exploration may be unsuccessful. Exploration may prove to be more costly than expected or the proposed timing of exploration may not be achieved, thus potentially putting strains on the Company's financial position.
- (i) **Impairment of Non-Financial Assets Risk:** As at 30 June 2016, the Company's assets included \$5.173 million of capitalised exploration expenditure, evaluation and development costs. These assets are tested semi-annually for impairment in accordance with accounting standard requirements to assess whether the carrying value may exceed its recoverable amount. An impairment loss is recognised where the carrying amount exceeds its recoverable amount (namely the higher of its fair value less costs and its value in use). The Company expects to further impair this capitalised expenditure in its accounts for the half year ending 31 December 2016 by approximately \$3.86m, reflecting a write down in the carrying value of the Company's Californian exploration involvement.
- (j) **Operating Risk:** Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gasses, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to, or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations, the occurrence of any of which could result in substantial losses to the Company. Damages occurring as a result of such risks may give rise to claims against the Company. The occurrence of an event that is not covered, or fully covered, by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company.
- (k) **Commercial Discovery Risk:** Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited. While drilling may yield some hydrocarbons there can be no guarantee that any discovery will be sufficiently productive to justify commercial development or cover operating costs. There can be no assurance that the Company will achieve production as this will depend on a wide range of factors, including development decisions, capital costs and operating costs and the ability of the Company to fund these costs.
- (l) **Reserve and Resource Estimates Risk:** Hydrocarbon reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. In addition, such

estimates are necessarily imprecise and depend to a significant extent on interpretations, which may prove inaccurate. The calculation of any possible volume of hydrocarbons in a prospect may be proved incorrect by future exploration/production, mapping and/or drilling. An example of this reserve and resource estimate risk is that the Company's 2016 Annual Report page 5 notes that the Company has "...commissioned independent assessments that confirm the gas-in-place potential of the Eumeralla Formation...[but that]...ASX Listing Rules mean the assessments cannot be released until further exploration/appraisal work has been completed...". While the Victorian Government's onshore exploration ban has prevented necessary exploration/appraisal work from being carried out, the assessments in question were in part publicised in Attachment 1 to the 9 December 2016 Independent Expert's Report in respect of the Company's acquisition of Navgas Pty Ltd. Attachment 1 ("Independent Specialist Report on the petroleum asserts of Navgas Pty Ltd and Lakes Oil NL", prepared by SRK Consulting in December 2016) page 29 provided gas in place and recoverable resource estimates for a focus area within PEP 175 whilst noting, at page 28, that "Testing within PEP could potentially identify large gas Resources".

- (m) **Regulatory Risk:** It may not always be possible for the Company to participate in the exploitation of successful discoveries made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. Such further work may require the Company to meet or commit to financing obligations for which it may not have planned.
- (n) **Market Pricing Risk:** Potential investors should consider the impacts of supply and demand for commodities (especially oil and gas), fluctuations in the prices of those commodities, exchange rates, Australia's inflation rates, taxation laws and interest rates. All of these factors have a bearing on operating costs, potential revenue and share prices. In particular, the price of oil is volatile and cannot be controlled. Oil and gas prices have fluctuated widely in recent years, and if the price of hydrocarbons falls significantly and remains depressed, this could affect the financial viability of any reserves discovered. There is no assurance that, even if significant quantities of hydrocarbon products are discovered, a profitable market may exist for their sale. The marketability of hydrocarbons is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products, the effect of which cannot be accurately predicted.
- (o) **Environmental Risk:** In relation to the exploration permits held by the Company, issues can arise from time to time with respect to abandonment costs, consequential clean up costs and environmental concerns. The Company could become subject to liability if, for example, there is environmental pollution and consequential clean up costs at a later point in time. It is not possible to quantify any such contingent liability. Whilst no guarantee can be given, the Company is not aware of any advices which would suggest that there is any particular exposure in relation to any of its present interests.
- (p) **Governmental Risk:** The impact of actions by governments may affect the Company's operations including matters such as necessary approvals, land access, sovereign risk, additional or increased taxation and royalties which are payable on the proceeds of the sale of any successful exploration. Further, the approval of contractual arrangements in relation to exploration permits as well as the renewal of exploration permits is each a matter of governmental discretion and no guarantee can be given in this regard. A failure to obtain any approval would mean that the ability of the Company to participate in or develop any project may be limited or restricted either in part or absolutely. Industry profitability can be affected by changes in tax policies and the interpretation and application thereof.
- (q) **Native Title Risk:** Native title rights may adversely impact on the Company's operations. In particular, the Company's ability to explore within the area of its South Australian petroleum exploration licence applications is subject to negotiation of native title land access arrangements. As set out in section 7, the Company proposes to carry out further desktop review of the potential of its South Australian exploration licence application acreage prior to incurring costs for native title

access arrangements. If the Company ability to conduct future exploration and/or development and production activities is adversely affected, this may have a material adverse effect on the Company's performance and the price at which its shares are traded.

10. UNDERWRITING AGREEMENT AND IDENTITY OF DGR

The Company has entered into an Underwriting Agreement with DGR Global Limited (**DGR**) (ABN 67 052 354 837) pursuant to which DGR has committed to underwriting \$1,500,000 of the Offer. DGR will also manage the placement of any shortfall that is not subscribed for by shareholders. DGR currently holds nil shares however is currently a LKOGB Converting Note holder, holding 36,750 notes in the Company. Upon potential conversion of these notes depending on the conversion ratio at a rate of between 9,091 to 1 and 10,000 to 1 this will increase the number of Shares on issue by between 331,821,500 Shares and 365,000,000 Shares. At most this could result in their shareholding being 2.7% as a consequence of the underwriting (excluding any conversion of their notes).

DGR is an ASX listed company that is itself focussed on identifying resource opportunities and then, through separate subsidiaries, developing those opportunities from exploration stage through to production. The subsidiaries are separately capitalised as projects develop and are derisked. Dark Horse Resources Limited, from which the Company acquired Navgas Limited, was established by DGR. Mr Nick Mather and Mr Bill Stubbs, who are directors of the Company, are also directors of DGR. DGR is a 23.25% shareholder in Armour Energy Limited and as such, has a deemed relevant interest in Armour Energy Limited's 9.81% shareholding in the Company. Mr Nick Mather, a director of Lakes Oil, has a 19.60% interest in DGR. DGR is also a 13.11% shareholder in Dark Horse Resources Limited which is a 42.84% shareholder in the Company.

DGR's relevant interest in the Company would not exceed 20% in the event that DGR were required to take up all of the \$1,500,000 it has underwritten and no other Shares were to be issued under the Offer.

DGR's underwriting commitment is conditional upon a number of conditions that have been satisfied but remains conditional upon the following:

- ASX indicating in writing that that Shares issued pursuant to the Offer will be quoted on the ASX;
- The Company providing DGR with a Shortfall Notice on or before 22 March 2017 (such notice specifying the number of underwritten shares that have not been validly subscribed for by the Shortfall Notice date); and
- The actual closing date of the Offer pursuant to this Prospectus being no later than 17 March 2017 (unless otherwise agreed).

If the conditions set out above are not satisfied then DGR will have a right to terminate its underwriting commitment. In addition, DGR has a right to terminate its underwriting commitment if DGR becomes aware of the happening of any one or more of the following events:

- (i) **(lodgement of Prospectus)** the Company fails to lodge the Prospectus with ASIC on or within 3 Business Days of the Prospectus Lodgment Date except where the sole reason for failing to lodge is an act or omission of the Underwriter;
- (ii) **(ASX approval)** approval is refused or not granted, other than subject to customary conditions, for the official quotation of all of the Offer Shares on ASX on or before the Quotation Approval Date, or if approval is granted, such approval is subsequently withdrawn, qualified or withheld before the issue of any Offer Shares; or
- (iii) **(market conditions)** any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or in the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriter reached in good faith, it is impracticable to market the Offer or to enforce contracts to issue and allot the Offer Shares or that the success of the Offer is likely to be adversely affected;

- (iv) **(adverse change)** any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those existing at the date of this agreement, including:
 - (A) any change in the earnings, future prospects or forecasts of the Company;
 - (B) any change in the nature of the business conducted by the Company; or
 - (C) the insolvency or voluntary winding up of the Company or the appointment of any receiver, receiver and manager, liquidator or other external administrator;
- (v) **(withdrawal)** the Company withdraws or terminates the Prospectus or the Offer;
- (vi) **(repayment)** any circumstance arises after lodgement of the Prospectus that results in the Company either repaying the money received from applicants or offering applicants an opportunity to withdraw their applications for Offer Shares and be repaid their application money;
- (vii) **(disclosures in Prospectus)** a statement contained in the Prospectus is misleading or deceptive, or a matter required by the Corporations Act is omitted from the Prospectus (having regard to sections 710, 711 and 716 of the Corporations Act);
- (viii) **(supplementary prospectus)** the Company, being prohibited by section 728(1) of the Corporations Act from offering Shares under the Prospectus, lodges a supplementary or replacement prospectus in relation to the Offer;
- (ix) **(supplementary prospectus)** the Company fails to lodge a supplementary or replacement prospectus in a form acceptable to the Underwriter in circumstances where the Underwriter reasonably believes that the Company is prohibited by section 728(1) of the Corporations Act from offering Shares under the Prospectus;
- (x) **(disclosures in Due Diligence Report)** any information supplied by or on behalf of the Company to the Underwriter in relation to the Company or the Offer as part of the due diligence process is misleading or deceptive;
- (xi) **(new circumstance)** after the Prospectus has been lodged there occurs a new circumstance that would, in the reasonable opinion of the Underwriter, have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged in relation to the Company or any entity in the Group;
- (xii) **(material contracts)** termination or a material amendment of any material contract of the Company;
- (xiii) **(hostilities)** hostilities, political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving Australia, or a terrorist act is perpetrated on Australia or any diplomatic, military, commercial or political establishment of Australia anywhere in the world;
- (xiv) **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, or any State or Territory of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth, State or Territory authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement), any of which does or is likely to have a material adverse effect on the success of the Offer;
- (xv) **(change in management)** a change in the board of Directors or senior management of the Company occurs;
- (xvi) **(legal proceedings and offence by Directors)** any of the following occurs:
 - (A) a Director is charged with an indictable offence;
 - (B) legal proceedings are commenced against the Company or any Director; or
 - (C) any Director is disqualified from managing a corporation under section 206A of the Corporations Act; or
- (xvii) **(compliance with regulatory requirements)** a contravention by the Company of the Corporations Act, the Listing Rules, its constitution or any other applicable law or regulation;

- (xviii) **(Prospectus to comply)** the Prospectus or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- (xix) **(notifications)** any of the following occurs:
 - (A) ASIC gives notice of an intention to hold a hearing under section 739(2) of the Corporations Act or issues an order under sections 739(1) or (3) of the Corporations Act;
 - (B) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus;
 - (C) any person gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of their name in the Prospectus (or any Supplementary Prospectus) or to be named in the Prospectus withdraws their consent;
 - (D) any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus; or
 - (E) the Company or an entity in the Group issues a material written statement concerning the Offer which has not been approved by the Underwriter~~Error! Reference source not found.~~; or
- (xx) **(breach)** the Company breaches any of its obligations under this agreement;
- (xxi) **(material contract breach)** any person commits a substantial breach of a material contract;
- (xxii) **(representations and warranties)** any representation or warranty contained in this agreement on the part of the Company is not true or correct;
- (xxiii) **(prescribed occurrence)** an event specified in section 652C(1) or section 652C(2) of the Corporations Act, but replacing “target” with “Company”; or
- (xxiv) **(timetable)** the Shortfall Notification Date is delayed for more than five Business Days other than as the direct result of actions taken by the Underwriter (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the Underwriter’s prior consent).

In the case of events (vii) to (xxiv) inclusive, DGR may only terminate its underwriting commitment if it reasonably believes that the event has or is likely to have a material adverse effect on the outcome of the Offer or could give rise to DGR incurring liabilities.

DGR will be paid a fee of 6% of the underwritten amount, being \$90,000.

11. ADDITIONAL INFORMATION

On 16 January 2017 shareholder approval was received for the Company to acquire Navgas Pty Ltd in consideration for the issue of 9,600,000,000 Shares in the Company. The acquisition was completed on 18 January 2017, and the Shares issued in consideration are included in the total Shares on issue at the date of this Prospectus. Through the acquisition of Navgas the Company now has 100% ownership of:

- the Roma Oil and Gas Project, based upon Authority to Prospect (ATP) 1183 in Queensland; and
- six Petroleum Exploration Licence Applications (PELAs), covering 53,000 km² to the north of Port Augusta in South Australia.

Further information regarding the Company’s near term plans for exploration of this newly acquired, highly prospective exploration acreage is set out in section 6 of this Prospectus.

The latest available market sale price of Shares on the ASX on 13 February 2017 immediately prior to the lodgement of this Prospectus with ASIC was \$0.002 (0.2 cent). During the three months prior to that date the Shares traded on the ASX within the range of \$0.001 (0.1 cent) to \$0.002 (0.2 cent).

The latest available market sale price of existing listed LKOGA and LKOGB Converting Notes on the ASX on 13 February 2017 prior to the lodgement of this Prospectus with ASIC was \$4.817 and \$0.00 respectively. During the three months prior to that date the LKOGA Converting Notes traded on the ASX within the range of \$4.817 to \$5.00 and the LKOGB Converting Notes were untraded for the period.

Lakes Oil will make application to the ASX within seven days after the date of this Prospectus for the Shares to be granted official quotation. However, if official quotation is not granted within 3 months after the date of this Prospectus or any longer period permitted by law, then all application monies will be refunded without interest as soon as practicable.

On 7 February 2017 the ASX advised that it had no objection to the terms of issue of the bonus Performance Rights.

A shareholding in the Company is held subject to the Company's Constitution, which was updated following receipt of shareholder approval at the Company's Annual General Meeting held on 16 January 2017. The Company's Constitution is similar to those of other publicly listed no-liability companies and states that the ASX Listing Rules prevail in the event of any inconsistency. In particular, shareholders are entitled to receive notices of and attend and vote at general meetings where they have one vote on a show of hands and one vote per ordinary share on a poll. Subject to the Constitution, the Corporations Act and the ASX Listing Rules, Shares are freely transferable. Dividends are payable to shareholders in proportion to the shares held by them respectively. In a winding up, the liquidator may with the sanction of a special resolution of shareholders divide the assets of the Company amongst the shareholders and may determine how the division shall be carried out as between them. The Constitution may be inspected on the Company's website.

Offers of entitlements under this Prospectus will not be made to holders of Entitlement Securities with registered addresses outside Australia and New Zealand as the directors consider that it is unreasonable to do so having regard to the small number of such persons, the number and value of entitlements which would be offered to them and the cost of complying with the overseas legal and regulatory requirements. Lakes Oil will, instead, send such persons details of the issue with advice that this Offer will not be made to them.

This Prospectus does not constitute an offer in any jurisdiction where, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus is dated 14 February 2017 and a copy of it has been lodged with the Australian Securities and Investments Commission (ASIC). The ASIC takes no responsibility as to the contents of this Prospectus. No Shares (or Performance Rights) will be issued on the basis of this Prospectus later than 13 months after its date of issue.

Applicants may wish to access information about the Company through its website at www.lakesoil.com.au including information which is released after the lodgement date of this Prospectus. This is a limited disclosure prospectus and does not purport to contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company. For the purposes of section 713 of the Corporations Act and ASIC Corporations (Offer of Convertibles) Instrument 2016/83, the Company is a disclosing entity and hence is subject to regular reporting and continuous disclosure obligations. Information that is already in the public domain as a consequence has not been (and is not required to be) included in this Prospectus. Copies of documents lodged with ASIC by or in relation to the Company may be obtained from or inspected at an ASIC office. The Company will provide a copy of each of the following documents free of charge to any person who requests them during the application period for this Prospectus:

- the annual financial report of Lakes Oil NL for the year ended 30 June 2016; and
- any other continuous disclosure notices, as tabulated below, given by Lakes Oil NL to the ASX between 3 October 2016 (being the date of lodgement with ASIC of Lakes Oil's 2016 annual financial report) and the date of lodgement of a copy of this Prospectus with ASIC.

Date	Description of Announcement
14/02/2017	Appendix 3Ys
10/02/2017	Appendix 3B
6/02/2017	Change in Substantial Holding from Timeview
31/01/2017	Quarterly Activities and Cashflow Report December 2016
23/01/2017	Alternate Director Resignation and Appendix 3Z
23/01/2017	Appendix 3Ys
20/01/2017	Section 708A Notice and Appendix 3B
19/01/2017	Change in Substantial Holding from AJQ
19/01/2017	Becoming a Substantial Shareholder from DHR
18/01/2017	Section 708A Notice and Appendix 3B
18/01/2017	Navgas Acquisition Completed
17/01/2017	Company Constitution
16/01/2017	Result of AGM
16/01/2017	LKO AGM Presentation
16/12/2016	Execution of Share Purchase Agreement re NavGas
16/12/2016	Grant of ASX Waiver
16/12/2016	Notice of Annual General Meeting/Proxy Form
6/12/2016	Further Legal Proceedings Initiated
6/12/2016	Appendix 3B – Issue of Shares on conversion of notes
29/11/2016	Issue of Shortfall Converting Notes - LKOGB
28/11/2016	Execution of Underwriting Agreement re Lakes Oil
28/11/2016	Execution of Share Purchase Agreement re NavGas
28/11/2016	Acquisition of Navgas
27/11/2016	Appointment of Alternate Director
24/11/2016	Listed Unsecured Converting Notes – 1 st Interest Payment
18/11/2016	Interest Payment – LKOGB
18/11/2016	Date of Annual General Meeting
27/10/2016	Judicial Review of Victorian Government Decisions
26/10/2016	Quarterly Activities and Cashflow Report September 2016
19/10/2016	Appointment of Independent Expert
18/10/2016	Section 708A Notice and Appendix 3B
7/10/2016	Appendix 3B – Issue of Shares on conversion of notes
6/10/2016	Lakes Oil to Acquire 100% of NavGas Pty Ltd
6/10/2016	Proposed Acquisition of QLD and SA Exploration Permits
3/10/2016	Converting Notes issue and Investment in Navgas
3/10/2016	Investment in Lakes Oil and NavGas Transaction

DGR Global Limited as underwriter has consented in writing to be named in this Prospectus as the underwriter to the Offer in the form and context in which it is named. DGR Global Limited takes no responsibility for any part of this Prospectus other than references to its name.

Computershare Investor Services Pty Limited has consented in writing to be named in this Prospectus as the Share registry for Lakes Oil. It has not authorised the issue of this Prospectus and accordingly makes no representation regarding and takes no responsibility for any statements or information in or omissions from this Prospectus. It is entitled to a fee based on its normal commercial terms for acting in that capacity.

Roland Sleeman has consented in writing to be named in this Prospectus as Chief Executive Officer in the form and context in which he is named. He has not authorised the issue of this Prospectus and accordingly makes no representation regarding and takes no responsibility for any statements or information in or omissions from this Prospectus.

Important Information for New Zealand investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and its content are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand (<http://fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Shares is not New Zealand dollars. The value of the Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a New Zealand bank account in New Zealand dollars.

12. DIRECTORS' INTERESTS

Directors are each entitled to receive directors' fees and benefits totalling \$33,333 per annum for the financial year ending 30 June 2017. At the date of this Prospectus one half of the directors' fees and benefits for the period from 1 July 2016 to 31 December 2016 has been paid in kind through issue to the directors of shares in the Company. Consistent with shareholder approval received at the Company's Annual General Meeting on 16 January 2017, for the months from January 2017 to November 2017 (inclusive) the Company's six directors will each continue to receive one half of their remuneration as shares instead of as cash. The shares will be issued in arrears with the number of shares issued being determined by dividing the relevant remuneration amount by the volume weighted average price of the Company's Shares during the month for which the remuneration is payable. This arrangement has been put in place to preserve cash for exploration and other activities.

It is presently anticipated that, subject to shareholder approval to be sought at the Company's Annual General Meeting in November 2017, the arrangement set out above will be continued beyond November 2017.

As at the date of this Prospectus, the directors held the following interests in the share capital of Lakes Oil:

Director	Number Shares
B Berold	63,185,556
N Mather	9,027,778
I Plimer	9,027,778
W Stubbs	15,027,778
C Tonkin	15,527,778
K Wightman	12,027,778

In addition, Mr Berold held 2,000 LKOGA Converting Notes as at the date of this Prospectus.

13. STATEMENT BY DIRECTORS

Each director has consented to the issue of this Prospectus in the form and context in which it is issued.



CHRIS TONKIN
Non-Executive Chairman

14. DEFINITIONS

In this Prospectus the following definitions apply:

AEDT	means Australian Eastern Daylight Time.
Additional Shares	means Shares in addition to an Eligible Shareholder's Entitlement for which an Applicant applies for pursuant to an Entitlement and Acceptance Form.
Applicant	means an Eligible Shareholder who applies pursuant to the Offer.
Applicant Monies	means monies received by the Company from Applicants with respect to the Entitlement and Acceptance Form.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.
ASX Listing Rules	means the listing rules of the ASX.
Board	means the board of Directors of the Company unless the context indicates otherwise.
Business Day	means a day that is not a Saturday, Sunday or a public holiday in Melbourne, Victoria.
Closing Date	means the date specified in the timetable set out at the commencement of this Offer (unless extended).
Company	Lakes Oil NL (ABN 62 004 247 214), and where the context requires includes its wholly owned subsidiaries
Constitution	means the constitution of the Company as at the date of this Offer.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Directors	means the directors of the Company as at the date of this Offer.
Eligible Shareholder	means a Shareholder or a Converting Note holder who has a registered address in Australia or New Zealand.
Entitlement	means the entitlement of an Eligible Shareholder who is eligible to participate in the Offer.
Entitlement and Acceptance Form	means the entitlement and acceptance form either attached to or accompanying this Offer.
Entitlement Securities	means existing issued Shares, LKOGA Converting Notes multiplied by a share conversion factor of 6,667 and LKOGB Converting Notes multiplied by a share conversion factor of 9,091. Fractional entitlements will be rounded up.
Issue Price	means \$0.002 (0.2 cent) per Share.
Marketable Parcel	has the meaning set out in the ASX Listing Rules, namely \$500 (being 250,000 Shares).
Offer	means this non-renounceable entitlement issue.
Official Quotation	means official quotation on ASX.
Record Date	means the date specified in the timetable.
Share	means a fully paid ordinary Share in the capital of the Company.

Share Registry	means Computershare Investor Services Pty Limited
Shareholder	means a holder of a Share.
Underwriter	means DGR Global Limited (ABN 67 052 354 837)
Underwriting Agreement	means the agreement between the Company and the Underwriter to partially underwrite the Offer dated 25 November 2016 (as varied by amendment letter dated 13 February 2017) to the amount of \$1,500,000.

ANNEXURE A: TERMS OF ISSUE OF PERFORMANCE RIGHTS

The following are the terms of issue of the Performance Rights.

1 Definitions

ASX means ASX Limited or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

Business Day means a day on which Banks are open for business in Melbourne other than a Saturday, a Sunday or a public holiday.

Company means Lakes Oil NL ABN 62 004 247 214.

Company Group means the Company and its subsidiaries.

Conversion means the conversion of Performance Rights into Shares at the Conversion Rate.

Conversion Date means ten Business Days after the Conversion Trigger occurs

Conversion Rate means the rate of Conversion of each Performance Right into Shares on a 1.25 for 1 basis (rounded up to the next whole number in the case of a fraction).

Conversion Trigger means the earliest of:

- (a) the date upon which the volume weighted average price of the Company's Shares on the ASX over the 60-day period prior to that date exceeds 0.8 cent per Share;
- (b) if a takeover bid is made for the Shares at a price or value which exceeds 0.8 cent per Share and the bidder becomes entitled to compulsorily acquire all of the Shares, the date the bidder becomes entitled to compulsorily acquire all of the Shares; and
- (c) if a court orders a meeting to be held in relation to a proposed scheme of arrangement in relation to the Company at a price or value which exceeds 0.8 cent per Share the effect of which is that the bidder will have a relevant interest in at least 90% of the Shares and shareholders approve the scheme resolution by the requisite majorities, the date that shareholders approve the resolution.

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

Expiry Date means the earliest of:

- (a) any date which arises under Condition 3.11;
- (b) if a takeover bid is made for the Shares at a price or value which is less than or equal to 0.8 cent per Share and the bidder becomes entitled to compulsorily acquire all of the Shares, the date the bidder becomes entitled to compulsorily acquire all of the Shares;
- (c) if a court orders a meeting to be held in relation to a proposed scheme of arrangement in relation to the Company at a price or value which is less than or equal to 0.8 cent per Share the effect of which is that the bidder will have a relevant interest in at least 90% of the Shares and shareholders approve the scheme resolution by the requisite majorities, the date that shareholders approve the resolution; and
- (d) 1 January 2022.

Listing Rules means the ASX Listing Rules.

Performance Right means, at any time, so many of these Performance Rights created and issued by the Company under these Conditions of Issue as are outstanding.

Performance Right Holder or **holder of Performance Rights** means, in relation to any of the Performance Rights at any time, the person registered in the Register as the holder of those Performance Rights.

Shares means fully paid ordinary Shares in the capital of the Company.

2 General Terms of Issue

Terms of Issue

2.1 Each Performance Right shall:

- (a) potentially convert in the manner and at the times provided by Condition 3 into Shares; and
- (b) lapse on the Expiry Date if it has not been subject to Conversion by then.

Status

2.2 The Performance Rights:

- (a) do not (unless and until Conversion) confer on Performance Right Holders any right as a member or shareholder of the Company, including voting rights; and
- (b) confer on Performance Right Holders a right to be given copies of documents sent by the Company to shareholders (whether in connection with a general meeting of Shareholders or otherwise).

2.3 Each Performance Right Holder by accepting an issue of Performance Rights:

- (a) agrees to be bound by these Conditions;
- (b) acknowledges that it has contractual rights as set out in these conditions but that the Performance Rights do not (unless and until Conversion) confer any right as a member or shareholder of the Company; and
- (c) acknowledges the possibility that the Performance Rights may lapse and will not be subject to Conversion.

3 Conversion

Conversion to Shares

3.1 Each Performance Right will automatically convert to Shares at the Conversion Rate on the Conversion Date provided that the Expiry Date has not occurred.

3.2 If the Expiry Date occurs and the Conversion Trigger has not occurred prior to the Expiry Date each Performance Right will automatically expire and any entitlement to Conversion shall thereupon cease.

Right to participate in new issues of ordinary Shares

3.3 Performance Right Holders are not entitled to participate in future issues of Shares prior to Conversion of the Performance Rights including bonus issues or entitlement issues.

Adjustment of Conversion Rate

3.4 If the Company reorganises its capital, the Conversion Rate will be adjusted in accordance with the Listing Rules applicable at the time of the reorganisation, and so that Performance Right Holders will not receive a benefit that holders of Shares do not receive. Unless the Listing Rules require otherwise, the Conversion Rate must be adjusted as follows:

- (a) **Reduction in capital:** If the issued capital of the Company is reduced, the entitlement of a Performance Right Holder to conversion of Performance Rights into Shares at the Conversion Rate will be reduced in the same proportion and manner as the issued capital is so reduced (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the reduction of capital) but in all other respects the Conversion Rights will remain unchanged;

- (b) **Consolidation of capital:** If the issued capital of the Company is consolidated, the entitlement of a Performance Right Holder to conversion of Performance Rights into Shares at the Conversion Rate will be reduced in the same proportion and manner as the issued capital is so consolidated (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the consolidation of capital) but in all other respects the Conversion Rights will remain unchanged; and
- (c) **Subdivision of Capital:** If the issued capital of the Company is subdivided, the entitlement of a Performance Right Holder to conversion of Performance Rights into Shares at the Conversion Rate will be increased in the same proportion and manner as the issued capital is so subdivided (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the subdivision of capital) but in all other respects the Conversion Rights will remain unchanged.

Conversion to Shares

- 3.5 Subject to these conditions of issue, the Company covenants with each Performance Right Holder that it will issue Shares for the Performance Rights at the Conversion Rate on the Conversion Date
- 3.6 Any Shares issued upon conversion of Performance Rights will rank in all respects equally with the then existing Shares of the Company and will rank for dividends declared by the Company on its Shares after the Conversion Date of the Performance Rights. Prior to conversion, the Performance Rights do not confer any entitlement to a dividend.
- 3.7 After the issue of such Shares, if the Company is listed on the ASX, the Company will apply for quotation of such Shares on the ASX to allow them to be traded.

Costs of Conversion and listing

- 3.8 Except as otherwise stated in these Conditions, the Company will pay the expenses (but excluding any taxes or stamp duties for which the holders of Shares would ordinarily be liable) of the issue of, and all expenses of obtaining a listing for, Shares issued on Conversion.

Conversion Right warranties

- 3.9 The Company must, whilst the Performance Rights have neither expired nor converted into Shares:
 - (a) **Listing:** subject to Condition 3.3, use its best endeavours to promptly give to the Performance Right Holders notice of any delisting of the Shares (as a class) by the ASX, or any other stock exchange on which they are listed from time to time;
 - (b) **Conversion to ordinary Shares:** ensure that all Shares issued upon Conversion will be duly and validly issued, fully paid and registered in the name of the Performance Right Holder; and
 - (c) **Consents:** use its best endeavours to obtain, as and when required, and having once obtained, maintain, all necessary governmental and regulatory consents to enable the Company to allot and issue the Shares to be issued upon conversion of the Performance Rights.

Bound by Constitution

- 3.10 Each Performance Right Holder acknowledges that on the issue of Shares on the Conversion Date, the Performance Right Holder will be bound by the Constitution of the Company in so far as it relates to Shares.

External Administration

- 3.11 If the Company becomes an externally-administered body corporate (within the meaning of the Corporations Act) and notwithstanding any other provision of these Conditions, the Performance

Rights will expire (and any entitlement to Conversion shall thereupon cease without conferring any right to participate in the surplus profit or assets of the Company).

4 Title to Performance Rights

4.1 Except as ordered by a court of competent jurisdiction or as required by law, the Company:

- (a) may treat the registered holder of any Performance Right as the absolute owner (notwithstanding any notice of ownership or writing on the Performance Right or any notice of previous loss or theft or of any trust or any other interest);
- (b) is not required to obtain any proof of ownership and is not required to verify the identity of the registered holder; and
- (c) is not required to recognise or give effect to any legal or equitable interest in any Performance Right not entered on the Register notwithstanding that the Issuer may have actual or constructive notice thereof.

5 Non transferability

5.1 The Performance Rights will not be listed and are not transferable.

5.2 Any person becoming entitled to Performance Rights in consequence of the death or bankruptcy of any holder of such Performance Rights, may, upon producing evidence of the Performance Right Holder's title as the Directors shall think sufficient, be registered as the holder of such Performance Rights.

6 Non-Redeemable

6.1 The Performance Rights are not redeemable in any circumstance by the Company.

7 Notices

8.1 A notice given to a Performance Right Holder pursuant to a provision of these Conditions shall be in writing or electronic form and may be given to a Performance Right Holder by being delivered to him by e-mail, facsimile, or posted in a pre-paid envelope and addressed to the address appearing in the register or to such other address as he has notified the Company in writing.

8.2 A notice given to any one of joint Performance Right Holders is sufficient notice to all of those joint Performance Right Holders.

8 Conditions Binding on Parties and Successors

8.1 These Conditions shall be binding on the Company and the Performance Right Holders and all persons claiming through or under them respectively. These Conditions shall be governed by and construed in accordance with the laws of Victoria.

9 Amendment

9.1 These Conditions may only be amended if the board of the Company determines that such amendment is necessary to:

- (a) enable the Company to comply with the Listing Rules, Corporations Act or other Australian law; or
- (b) to correct any manifest error or mistake,

and the board of the Company provides notice to each Performance Right Holder accordingly.

10. Attorney

10.1 Each Performance Right Holder in consideration of the grant of the Performance Right shall be deemed to have irrevocably appointed the Company and each of its directors severally as its attorney to complete and executed any documents which give effect to these conditions and to do all acts or

things on behalf of or in the name of the Performance Right Holder which may be convenient or necessary for the purposes of giving effect to the provisions of these conditions, and each Performance Right Holder shall be deemed to covenant to ratify and confirm any act or thing done pursuant to this power and shall release the Company and each of its directors from any liability whatsoever arising from the exercise of the power conferred by this condition and shall indemnify and hold harmless the Company and each of its directors in respect thereof.



LAKES OIL N.L.

(ABN 62 004 247 214)

For all enquiries:

Phone:



(within Australia) 1300 850 505

(outside Australia) 61 3 9415 4000

LKO

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See over for details of the Offer and how to make your payment

Non-Renounceable Entitlement Offer — Entitlement and Acceptance Form

Your payment must be received by 5.00pm (Melbourne time) on Friday 17 March 2017.

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect. If you have a CHESS sponsored holding, please contact your controlling participant to notify a change of address.

Step 2: Accept your Entitlement

You can apply to accept either all or part of your Entitlement. Enter the number of Shares you wish to apply for and the amount of payment for those Shares. For each Share issued one bonus Performance Right will also be issued. Full details of the Performance Rights are set out in Annexure A of Prospectus.

Step 3: Additional Shares Applied for

Enter the number of Additional Shares you wish to apply for (if any) under the Shortfall Offer.

Step 4: Make Your Payment

By making your payment you confirm that you agree to all the terms and conditions as detailed in the Prospectus dated 14 February 2017.

Choose one of the payment methods shown below.

Credit Card: Visa and Mastercard are the only cards that can be used to support this acceptance. Complete the 'Payment by Credit Card' section below by indicating the type of card with a tick in the appropriate box. Be sure to show the name and numbers exactly as shown on the card. The CCV number is found on the signature strip of the reverse of the credit card. Only the last three numbers are required.

BPAY®: See overleaf. Do not return the payment slip below with your BPAY payment. Simply enter the reference number shown over the page at step 4 and your details are recorded electronically. If you wish to apply for Additional Shares, simply transfer the total funds corresponding to your Entitlement and to the number of Additional Shares applied for.

By Mail: Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to "Lakes Oil NL" and crossed "Not Negotiable". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt. Receipts will not be provided. Funds cannot be debited directly from your account. Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Payment by Credit Card

If you wish to pay via credit card, please enter your credit card details and signature below, then turn over to complete the amount of your entitlement and additional new shares (if any) you wish to take up, under Steps 2 and 3.

Entitlement No: 12345678



Note: Only Mastercard and Visa are accepted Mastercard Visa

Card Number:

Card Holder Name:

Expiry Date:

Signature:

CCV Number:

Lakes Oil NL Non-Renounceable Entitlement Offer


© Registered to BPAY Pty Ltd ABN 69 079 137 518

Entitlement and Acceptance Form with Additional Shares

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STEP 1 Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Entitlement No: 12345678


Offer Details: Existing Fully Paid Ordinary Shares entitled to participated as at 7:00pm (Melbourne Time) on 17 February 2017:
Entitlement to Shares on a 1 for 4 basis:
Amount payable on acceptance of full entitlement at A\$0.002 per Share:

4,000

1


A\$0.01

STEP 4 Make Your Payment

	Billers Code: 9999
	Ref No: 1234 5678 9123 4567 89

Contact your financial institution to make your payment from your cheque or savings account. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by 5.00pm (Melbourne time) on 17 March 2017.

Pay by Mail:

 Make your cheque or bank draft payable to "Lakes Oil NL" and crossed 'Not Negotiable'.
Return your cheque with the payment slip below to:
Computershare Investor Services Pty Limited
GPO BOX 52 Melbourne Victoria 3001 Australia

Neither Computershare Investor Services Pty Limited ("CIS") nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Lakes Oil NL Acceptance Payment Details - Payment must be received by 5.00pm (Melbourne time) on 17 March 2017.

STEP 2	Entitlement taken up:	<input type="text"/>
STEP 3	Number of Additional Shares applied for:	<input type="text"/>
	Total Shares applied for:	<input type="text"/>
	Amount enclosed at A\$0.002 per Share:	A\$ <input type="text"/>



Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Contact Details

Contact Name _____ Daytime Telephone _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

123456789123456789+0000000001-3051+14



LAKES OIL N.L.

(ABN 62 004 247 214)

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Step 2: Accept your Entitlement

You can apply to accept either all or part of your Entitlement. Enter the number of Shares you wish to apply for and the amount of payment for those Shares. For each Share issued one bonus Performance Right will also be issued. Full details of the Performance Rights are set out in Annexure A of Prospectus.

Step 3: Additional Shares Applied for

Enter the number of Additional Shares you wish to apply for (if any) under the Shortfall Offer.

Step 4: Make Your Payment

By making your payment you confirm that you agree to all the terms and conditions as detailed in the Prospectus dated 14 February 2017.

Choose one of the payment methods shown below.

Credit Card: Visa and Mastercard are the only cards that can be used to support this acceptance. Complete the 'Payment by Credit Card' section below by indicating the type of card with a tick in the appropriate box. Be sure to show the name and numbers exactly as shown on the card. The CCV number is found on the signature strip of the reverse of the credit card. Only the last three numbers are required.

BPAY®: See overleaf. Do not return the payment slip below with your BPAY payment. Simply enter the reference number shown over the page at step 4 and your details are recorded electronically. If you wish to apply for Additional Shares, simply transfer the total funds corresponding to your Entitlement and to the number of Additional Shares applied for.

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Payment will be processed on the day of receipt. Receipts will not be provided. Funds cannot be debited directly from your account. Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Payment by Credit Card

If you wish to pay via credit card, please enter your credit card details and signature below, then turn over to complete the amount of your entitlement and additional new shares (if any) you wish to take up, under Steps 2 and 3.

Entitlement No: 12345678



Note: Only Mastercard and Visa are accepted

Mastercard

Visa

Card Number:

Card Holder Name:

Expiry Date:

Signature:

CCV Number:

Lakes Oil NL Non-Renounceable Entitlement Offer


© Registered to BPAY Pty Ltd ABN 69 079 137 518

Entitlement and Acceptance Form with Additional Shares

X 9999999991

I ND

STEP 1 Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Entitlement No: 12345678

Offer Details: Existing Fully Paid Ordinary Shares (Shares) entitled to participate as at 7:00pm (Melbourne Time) on 17 February 2017:

4,000

Entitlement to Shares on a 1:4 basis, topped up to create a marketable parcel of 250,000 shares when combined with existing Shares

1

Amount payable on acceptance of full entitlement at A\$0.002 per Share:

A\$0.01

STEP 4 Make Your Payment



Billers Code: 9999
Ref No: 1234 5678 9123 4567 89

Contact your financial institution to make your payment from your cheque or savings account.


Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by 5.00pm (Melbourne time) on 17 March 2017.

Neither Computershare Investor Services Pty Limited ("CIS") nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Pay by Mail:

 Make your cheque or bank draft payable to "Lakes Oil NL" and crossed 'Not Negotiable'.

Return your cheque with the payment slip below to:
Computershare Investor Services Pty Limited
GPO BOX 52 Melbourne Victoria 3001 Australia

Lakes Oil NL Acceptance Payment Details - Payment must be received by 5.00pm (Melbourne time) on 17 March 2017.

STEP 2 Entitlement taken up:

--	--	--	--	--	--	--	--	--	--

STEP 3 Number of **Additional** Shares applied for:

--	--	--	--	--	--	--	--	--	--

Total Shares applied for:

--	--	--	--	--	--	--	--	--	--

Amount enclosed at A\$0.002 per Share:

A\$

--	--	--	--	--	--	--	--	--	--



Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Contact Details

Contact Name _____ Daytime Telephone _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
				A\$

123456789123456789+0000000001-3051+14



LAKES OIL N.L.

(ABN 62 004 247 214)

For all enquiries:

Phone:



(within Australia) 1300 850 505

(outside Australia) 61 3 9415 4000

LKO

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See over for details of the Offer and how to make your payment



Non-Renounceable Entitlement Offer — Entitlement and Acceptance Form

Your payment must be received by 5.00pm (Melbourne time) on Friday 17 March 2017.

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect. If you have a CHESS sponsored holding, please contact your controlling participant to notify a change of address.

Step 2: Accept your Entitlement

You can apply to accept either all or part of your Entitlement. Enter the number of Shares you wish to apply for and the amount of payment for those Shares. For each Share issued one bonus Performance Right will also be issued. Full details of the Performance Rights are set out in Annexure A of Prospectus.

Step 3: Additional Shares Applied for

Enter the number of Additional Shares you wish to apply for (if any) under the Shortfall Offer.

Step 4: Make Your Payment

By making your payment you confirm that you agree to all the terms and conditions as detailed in the Prospectus dated 14 February 2017.

Choose one of the payment methods shown below.

Credit Card: Visa and Mastercard are the only cards that can be used to support this acceptance. Complete the 'Payment by Credit Card' section below by indicating the type of card with a tick in the appropriate box. Be sure to show the name and numbers exactly as shown on the card. The CCV number is found on the signature strip of the reverse of the credit card. Only the last three numbers are required.

BPAY®: See overleaf. Do not return the payment slip below with your BPAY payment. Simply enter the reference number shown over the page at step 4 and your details are recorded electronically. If you wish to apply for Additional Shares, simply transfer the total funds corresponding to your Entitlement and to the number of Additional Shares applied for.

By Mail: Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to "Lakes Oil NL" and crossed "Not Negotiable". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt. Receipts will not be provided. Funds cannot be debited directly from your account. Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Payment by Credit Card

If you wish to pay via credit card, please enter your credit card details and signature below, then turn over to complete the amount of your entitlement and additional new shares (if any) you wish to take up, under Steps 2 and 3.

Entitlement No: 12345678



Note: Only Mastercard and Visa are accepted

Mastercard

Visa

Card Number:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Card Holder Name:

Expiry Date:

--	--	--	--	--	--

Signature:

CCV Number:

--	--	--

Lakes Oil NL Non-Renounceable Entitlement Offer


© Registered to BPAY Pty Ltd ABN 69 079 137 518

Entitlement and Acceptance Form with Additional Shares

X 9999999991

I ND

STEP 1 Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Entitlement No: 12345678

Offer Details: Existing Converting Notes balance of either LKOGA (multiplied by a share conversion factor of 6,667) and or LKOGB (multiplied by a conversion factor of 9,091) entitled to participate as at 7:00pm (Melbourne Time) on 17 February 2017:

4,000


Entitlement to Shares on a 1 for 4 basis:

1

Amount payable on acceptance of full entitlement at A\$0.002 per Share:


A\$0.01

STEP 4 Make Your Payment

	Billers Code: 9999
	Ref No: 1234 5678 9123 4567 89

Contact your financial institution to make your payment from your cheque or savings account. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by 5.00pm (Melbourne time) on 17 March 2017.

Pay by Mail:

 Make your cheque or bank draft payable to "Lakes Oil NL" and crossed 'Not Negotiable'.

Return your cheque with the payment slip below to:
Computershare Investor Services Pty Limited
GPO BOX 52 Melbourne Victoria 3001 Australia

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Lakes Oil NL Acceptance Payment Details - Payment must be received by 5.00pm (Melbourne time) on 17 March 2017.

STEP 2	Entitlement taken up:	<input type="text"/>
STEP 3	Number of Additional Shares applied for:	<input type="text"/>
	Total Shares applied for:	<input type="text"/>
	Amount enclosed at A\$0.002 per Share:	A\$ <input type="text"/>



Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Contact Details

Contact Name _____ Daytime Telephone _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

123456789123456789+0000000001-3051+14