



15 February 2017

LKO

MR SAM SAMPLE
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123 SAMPLE STREET
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SAMPLEVILLE VIC 3030

Dear Security holder,

Notification of partially underwritten non-renounceable entitlement issue

On 14 February 2017, Lakes Oil N.L. (**Company**) announced a non-renounceable entitlement issue of fully paid ordinary shares (**Entitlement Offer**). An offer document setting out the terms and conditions of the Entitlement Offer was lodged with ASX Limited (**ASX**) on 14 February 2017 (**Offer Document**) and will be sent to all eligible security holders together with a personalised Entitlement and Acceptance Form on 22 February 2017.

This letter gives security holders brief details of the Entitlement Offer, certain information required under the ASX Listing Rules, proposed use of funds and the important dates of the Entitlement Offer. The Entitlement Offer is non-renounceable which means that rights cannot be traded or sold.

The Entitlement Offer is only open to eligible security holders, being shareholders and holders of LKOGA or LKOGB Converting Notes multiplied by a share conversion factor of 6,667 for LKOGA's, and multiplied by a conversion factor of 9,091 for LKOGB's, and whose registered address is in Australia or New Zealand at 7.00pm on AEDT on 17 February 2017.

The Company has determined that it would be unreasonable to make offers under the Entitlement Offer to all security holders with addresses outside of Australia or New Zealand (**Ineligible Security holders**) having regard to the Company's current shareholding and the costs of complying with legal and regulatory requirements in those jurisdictions. Accordingly, the Entitlement Offer is not being extended to Ineligible Security holders. Any entitlements to such shares will lapse and the relevant shares will form part of the additional shares and shortfall under the Entitlement Offer.

If you hold shares in the Company as nominee or custodian of an Ineligible Security holder(s), the Company requests you not to:

- (a) send any Offer Document to Ineligible Security holders; and
- (b) submit any Entitlement or Acceptance Form for the Entitlement Offer or otherwise purchase shares under the Offer Document on behalf of any such Ineligible Security holder.

The proceeds of the Entitlement Offer will be used to fund exploration costs, a loan repayment, litigation proceedings against the Victorian Government and on-going working capital expenses (including the Costs of the Offer itself).

Details of the Entitlement Offer are as follows:

Type of issue	Non-renounceable entitlement issue of fully paid ordinary shares (Shares) of 1 Share for each 4 eligible securities held.
Issue price	\$0.002 (0.2 cent) per Share.
Number of shares to be issued	Up to 6,300,605,519 Shares.
Performance Rights	Each new Share is issued with one bonus unlisted 'performance right'. The performance rights are being issued to afford subscribers an attractive uplift opportunity if the Company's exploration or litigation initiatives are successful. Each performance right will automatically and at no cost to subscribers, convert into 1.25 Shares if the Company's 60-day volume weighted average Share price exceeds 0.8 cent per Share before 1 January 2022.
Amount to be raised	Up to \$12,601,211.04
Trading of Entitlement	Entitlements to subscribe for Shares cannot be traded or sold.
Additional Shares and shortfall	Eligible security holders can apply for additional Shares in excess of their entitlement. Additional Shares will be allocated in accordance with the allocation policy set out in the Offer Document. Any entitlement and additional Shares not taken by eligible security holders will form part of the shortfall. The directors of the Company reserve the right to place the shortfall Shares at their absolute discretion.
Shortfall	The Company has entered into an underwriting agreement with DGR Global Limited ACN 052 354 837 (DGR) under which DGR has agreed to partially underwrite to \$1.5m, subject to terms and conditions which are customary for agreements of this kind.
Listing	The Company has applied to ASX for quotation of the Shares.
Key indicative dates*	
Announcement of Offer	14 February 2017
Lodgement of cleansing notice, Offer Document and Appendix 3B with ASX	14 February 2017
Notice sent to security holders	15 February 2017
Ex Date	16 February 2017
Record Date for determining entitlements	17 February 2017
Offer Document despatched to eligible security holders and Company announces despatch has been completed	22 February 2017
Closing Date	17 March 2017
Shares quoted on a deferred settlement basis	20 March 2017
ASX notified of under subscriptions	22 March 2017
Issue date	24 March 2017

**The above timetable is indicative only and subject to change. Full details of the terms and conditions of the Entitlement Offer are contained in the Offer Document which is available on the ASX website <http://www.asx.com.au/> by searching under the ASX Code "LKO."*

Yours faithfully



Chris Tonkin

Non-Executive Chairman
Lakes Oil N.L