



LAKES OIL N.L.

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30 June 2016

10% INTEREST PER ANNUM **LISTED UNSECURED CONVERTING NOTES**

\$10 Notes – Interest 10% pa payable twice a year

Dear Shareholder,

Information for Shareholders – Rights Issue

Lakes Oil NL (“Lakes Oil” or the “Company”) will shortly be offering holders of Entitlement Securities an opportunity to subscribe for listed unsecured converting notes (“Notes”) in the Company pursuant to a pro-rata non-renounceable rights issue to raise up to approximately \$7.1 million before costs (“Rights Issue”). You will be sent a personalised offer with your entitlement.

The Rights Issue is based on the same structures adopted in 2015 and 2012 for similar issues of listed unsecured converting notes. It should be noted that the commercial terms of the previous raisings were different as their conversion rate into Shares was at a rate of between 5,000 to 1 and 6,667 to 1, whereas the conversion rate under this offer is at a more generous rate of between 9,091 to 1 and 10,000 to 1 basis depending on the prevailing Lakes Oil Share price on the Maturity Date.

The Rights Issue will be made pursuant to a prospectus (“Prospectus”), which is expected to be sent to holders of Entitlement Securities on 18 July 2016. The Prospectus will be despatched to those with registered addresses in Australia and New Zealand and who hold shares as at the record date of 7.00 pm (Melbourne time) on 14 July 2016. Entitlement Securities comprise existing issued shares, together with the existing LKOGA Converting Notes multiplied by a conversion factor of 6,667.

The Prospectus contains further information about how to take up your entitlement under the Rights Issue. If you are eligible and wish to participate in the Rights Issue, you will need to complete your personalised Entitlement and Acceptance Form that will accompany that Prospectus. Holders of Entitlement Securities will also be invited to apply for additional Notes in excess of their entitlement.

Summary of Principal Terms of Notes

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

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

Information required by the Listing Rules

Pursuant to the ASX Listing Rules, Lakes Oil is required to provide you with certain information before proceeding with the Rights Issue. This letter contains all the information required by Appendix 3B of the Listing Rules.

1. A maximum of 710,000 Notes will be issued pursuant to the Rights Issue.
2. The Notes (until conversion) do not rank equally with an existing class of quoted securities. However, the shares issued on conversion of the Notes will rank equally in all respects from the date of allotment with the existing class of quoted Lakes Oil shares.
3. The issue price of the Notes will be \$10 each.
4. Lakes Oil will apply for quotation of the Notes issued pursuant to the Rights Issue on the official list of the ASX (LKOGB).
5. Lakes Oil intends to use the proceeds from the Rights Issue for working capital purposes as well as exploration and research activities and loan repayment. Further details are set out in the Prospectus.
6. It is anticipated that the Notes subscribed for will be entered into uncertificated holdings on 12 August 2016.
7. The total number and class of all securities quoted on ASX (including the maximum number of Notes to be issued under the Rights Issue assuming the Rights Issue is fully subscribed) is as follows:

Class	Number
Existing fully paid ordinary shares	11,865,239,705
Existing listed notes	349,322
Notes	710,000*

* Upon conversion, these Notes will convert into between 6,454,610,000 shares and 7,100,000,000 shares depending on the 30 day average closing share price prior to the Maturity Date as described above.

8. The Notes do not (until conversion) confer on holders of Notes any right as a shareholder of Lakes Oil including dividend rights. However, the Notes will bear interest as described above. Lakes Oil does not currently have a dividend policy.
9. No shareholder approval for the Rights Issue is required.
10. The Rights Issue is non-renounceable. This means that holders of Entitlement Securities who do not take up their entitlements to participate in the Rights Issue will not be able to transfer or receive any value for those entitlements and their equity interest in Lakes Oil will be potentially diluted upon conversion of the Notes into shares.
11. The Notes in the Rights Issue will be offered on the basis of 1 Note for every 20,000 shares held or entitled as at the record date. Oversubscriptions may be issued.
12. The record date to determine entitlements is 7.00pm (Melbourne time) on 14 July 2016.

13. The offer under the Rights Issue relates to Notes. Holders of Entitlement Securities will be invited to apply for additional Notes in excess of their entitlement. The Entitlement and Acceptance Form will contain instructions on how to apply for additional Notes.
14. Fractional entitlements will be rounded up to the nearest Note.
15. Only holders of Entitlement Securities with registered addresses in Australia and New Zealand will be sent the Prospectus. In compliance with Listing Rule 7.7.1, Lakes Oil has decided that it is unreasonable to make the Rights Issue to those with registered addresses outside Australian and New Zealand having regard to each of the following:
 - the number of those security holders registered;
 - the number and value of the securities that would have been offered to those security holders; and
 - the cost of complying with the legal requirements and requirements of regulatory authorities in some overseas jurisdictions.
16. The closing date for receipt of acceptances is 5.00pm (Melbourne time) on Friday 5 August 2016.
17. The Rights Issue is not underwritten.
18. There is no broker to the Rights Issue. However, Lakes Oil will pay a brokerage fee of 5% (including acceptance of entitlements, applications of additional Notes or general shortfall applications).
19. The Prospectus for the Rights Issue and the Entitlement and Acceptance Form are expected to be despatched to holders of Entitlement Securities on 18 July 2016.
20. The latest date for despatch of certificates or entry of the Notes subscribed for into security holdings is 12 August 2016.

The above information was provided to the ASX on 30 June 2016.

Yours sincerely
LAKES OIL NL



Roland Sleeman
Chief Executive Officer