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First Supplementary Target's Statement in relation to Lakes Oil NL's Offer

1. INTRODUCTION

This document is the first supplementary target's statement (**First Supplementary Target's Statement**) given by Rawson Oil & Gas Limited (**Rawson** or the **Company**) under section 644 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

This First Supplementary Target's Statement relates to and supplements Rawson's Target's Statement (**Target's Statement**) dated 13 August 2018 in response to Lakes Oil NL's (**Lakes Oil**) Offer and should be read with that Target's Statement.

Unless the context otherwise requires, terms defined in the Target's Statement have the same meaning in this First Supplementary Target's Statement. To the extent there is any inconsistency between the Target's Statement and this First Supplementary Target's Statement, this First Supplementary Target's Statement will prevail.

A copy of this First Supplementary Target's Statement was lodged with ASIC and sent to Lakes Oil NL on 28 August 2018. Neither ASIC, Lakes Oil NL nor any of their respective officers takes any responsibility as to the contents of this First Supplementary Target's Statement.

This First Supplementary Target's Statement is an important document and requires your immediate attention. You should seek independent legal, financial and taxation advice before making a decision as to whether or not to accept Lakes Oil NL's Offer.

2. SUPPLEMENTARY INFORMATION

2.1 Lakes Oil's Offer is Unconditional

Rawson notes Lakes Oil NL's filings and releases made on 15 August 2018 disclosing that Lakes Oil NL had acquired a relevant interest in 51.61% of the issued capital of Rawson and that its Offer is now free of conditions. As Lakes Oil's Offer is now unconditional any uncertainty associated with the Offer has now been removed. As at 22 August 2018 Lakes Oil's filings disclosed that it had acquired a relevant interest in 58.42 % of the issued capital of Rawson.

2.2 Director Appointments

In accordance with the Bid Implementation Deed entered into between Rawson and Lakes Oil NL on 31 July 2018, following Lakes Oil NL's acquisition of greater than 50.1% relevant interest in the issued capital of Rawson the following have been implemented with effect from 20 August 2018:

- i) Mr Chris Tonkin, Chairman of Lakes Oil NL, and Mr Roland Sleeman, Chief Executive Officer of Lakes Oil NL, have been appointed as Non-Executive Directors of Rawson. Mr Tonkin has assumed the role of Chairman of Rawson; and

- ii) Mr Richard Ash, Non-Executive Director of Rawson, has been appointed as a Non-Executive Director of Lakes Oil NL.

Mr Allister Richardson and Mr Michael McGowan remain as directors of Rawson. They are independent of Lakes Oil. They are the directors who have signed this First Supplementary Target's Statement and are referred to in this document as the **Independent Directors**.

2.3 *Conditional Delisting of Rawson*

Lakes Oil NL has confirmed that following close of its Offer it intends to have Rawson removed from the official list of the ASX (that is, delisted), subject to all necessary approvals and/or compliance with any relevant conditions imposed by the ASX. If Rawson is delisted, Rawson shareholders who do not accept Lakes Oil NL's Offer will hold shares in an unlisted company for which there may be no liquid market, unless an alternative mechanism for shareholders to sell their shares is provided either before or after any delisting (e.g. a new takeover offer, a share buy-back or the introduction of an over-the-counter trading facility).

2.4 *Offer Consideration at Prima Facie Discount to Value*

The Target's Statement at section 1.2(a) notes that the Offer Price of fifteen Lakes Oil Shares for one Rawson Share represents a discount to the Rawson Share price to the pre offer VWAP market value of each of Lakes Oil and Rawson. At the date the Offer was announced, 31 July 2018, Rawson's market capitalisation was \$4.03 million. The pre offer value of Lakes Oil's Offer consideration then was \$3.75 million. The difference represented a discount of \$279,738. This discount continues. The Independent Directors believe that Rawson needed the support of a larger capital base to sustainably meet its expenditure obligations on its tenements, otherwise it was at risk of losing valuable assets. As a result, the Independent Directors believe that accepting the discount in the consideration is justified in the long term interests of Rawson and its shareholders. There were few if any other realistic sources of capital readily available in the time that Rawson required them, other than the Lakes Oil offering. Lakes Oil Offer provides Rawson shareholders with continuing and deeper liquidity for their holdings that might otherwise not have been available. In these circumstances the Independent Directors believe it is reasonable for Rawson shareholders to accept the Lakes Oil's Offer even though it is at a discount.

2.5 *Access to greater volume of prospective resources*

The Target's Statement at section 1.1(b) notes that shareholders will have access to the upside across Lake's portfolio from a successful outcome to Lake's legal proceedings against the Victorian Government. In the event that this litigation is not successful then the Directors believe that this upside will still exist, but its realisation may be delayed. This is because, should there be a change of Victorian Government at elections to be held in November 2018, the present opposition has publicly committed that it will, within 100 days of taking office, realow conventional exploration to proceed. Alternatively, if there is not a change of Government the present Victorian moratorium on onshore conventional exploration specifically expires at mid-2020 pursuant to the *Petroleum Act, 1998* (Vic). Accordingly, the Independent Directors believe that although there is some potential for risk on the downside with this litigation, that downside relates to the timing of exploration activity rather than whether or not it will in due course be allowed. The market largely appears to have already discounted Lakes Oil for the prevailing circumstances, so the risks to Rawson shareholders from this litigation in accepting Lakes Oil's Offer seem minimal. Lakes Oil also has exploration tenements in Queensland which would continue to provide value even if the litigation against the Victorian government is unsuccessful.

2.6 *Certainty of Funding*

The Target's Statement at section 1.1(c) notes that Rawson's cash position necessitated an almost immediate cash injection. The Independent Directors believed and believe that obtaining Lakes Oil's \$750,000 loan facility was the best available option to provide sufficient funds in the coming quarter to keep its tenements in good standing. The Company considered funding options from lending institutions but determined there were not sufficient funds available from such sources on commercially appropriate terms in the required time. The Company also considered seeking funding from major shareholders, but the indications were that prospects of Rawson's major shareholders continuing to provide sufficient funding for this purpose were not encouraging on satisfactory terms in the required timeframe. The Company compared the lending terms, particularly the interest and repayment terms, offered by Lakes Oil, with lending arrangements made in the sector in recent times and felt that the Lakes Oil terms were reasonable, manageable by the Company and the best that the Company could obtain in the prevailing circumstances. Accordingly, the Independent Directors believed and believe that the reliability and size of Lakes Oil's loan facility provided the best option for supporting the future of the Company and that the Company should enter into the loan facility with Lakes Oil as part of the proposed takeover offer.

2.7 *Proposed post-transaction rights issue by Lakes Oil*

Lakes Oil says in section 2.7 of the Bidder's Statement that it is proposing to raise \$8.5 to \$10 million. Lakes Oil also states at section 6.5 of the Bidder's Statement that it will, as a priority, seek to meet all ongoing costs for drilling of the Nangwarry-1 well so that further dilution of interests in the well is avoided. The Independent Directors believed and believe that Lakes Oil is in a better position to raise such funds for Nangwarry-1 than Rawson due to the longer term reputation and experience that Lakes Oil has in raising capital in the Oil and Gas Sector in the Australian capital markets. As disclosed in section 2.7 of the Bidder's Statement, there may be some dilutive effects of such a capital raising on continuing Rawson shareholders who do not hold Lakes Oil shares as at the record date for any such capital raising. It is also possible that shareholders in the merged entity could be diluted by such a capital raising, depending on the price at which an entitlements issue is done, the ratio of new shares to existing shares that such an entitlement issue proceeds at and whether shareholders choose to participate. The anticipation of a successful or partially successful drilling outcome by the market could help minimise any adverse effects of such dilution. Until an entitlements issue closes there is an inherent risk that the capital sought to be raised may not be subscribed for and that the use that those funds were intended for, including drilling programs, may not proceed.

3. THE RAWSON INDEPENDENT DIRECTORS RECOMMEND SHAREHOLDERS ACCEPT LAKES OIL NL'S OFFER

The Independent Directors state their unanimous recommendation that Rawson shareholders accept Lakes Oil NL's Offer in the absence of a superior proposal. The supporting reasons for the Independent Directors' recommendation are set out in Rawson's Target's Statement dated 13 August 2018 and in this First Supplementary Target's Statement.

Lakes Oil NL's Offer is currently scheduled to close at 7.00pm (Sydney time) on 10 September 2018 (unless extended further).

4. CONSENTS

As permitted by ASIC Class Order 13/521, this First Supplementary Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the ASX. In accordance with this class order, the consent of Lakes Oil NL is not required for the inclusion of such

statements in this First Supplementary Target's Statement. Any Rawson shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Rawson.

5. APPROVAL

This First Supplementary Target's Statement has been approved by resolution passed by the Independent Directors of Rawson under section 645(3)(a) of the Corporations Act.

This First Supplementary Target's Statement is dated 28 August 2018.