



A.C.N. 004 247 214

Lakes Oil N.L.

Quarterly Activities Report

For the three months ended
30 June 2016

Highlights:

- On 20 May 2016, following the retirement of Mr Robert Annells from the positions of Chairman and Managing Director of Lakes Oil, Mr Chris Tonkin was appointed Chairman of the company.
- On 2 June 2016, Mr Andrew Davis resigned from his position of Independent Director, reducing the size of the Lakes Oil's Board to six Directors.
- On 29 June 2016, the appointment of Mr Roland Sleeman as Chief Executive Officer of the company was announced.
- On 30 June 2016, Mr Leslie Smith resigned and was replaced as Company Secretary by Ms Melanie Leydin.
- On 30 June 2016, Lakes Oil issued a Prospectus for a non-renounceable rights issue of listed unsecured converting notes (Notes). The objective of the capital raising is to fund ongoing expenses. If fully subscribed, the company's cash balance will be increased by an amount of \$5,520,000 (after interest and costs).
- Lakes Oil N.L. (Lakes Oil) is still waiting on the Victorian Government's decision regarding onshore exploration in Victoria. Following appointment of the Hon. Wade Noonan to the role of Minister for Resources, announcement of the decision was delayed to afford time for the Minister to solicit input on and fully consider the Environmental and Planning Committee's report into onshore unconventional exploration. A decision is now scheduled to be made by 16 August 2016.
- All operational activities in Lakes Oil's Victorian permits continue to be stalled because of the onshore exploration ban.
- In the event that the Victorian onshore exploration ban is lifted, Lakes Oil considers it is well placed to expedite drilling activity with a view to proving the gas production potential of its onshore Victorian acreage.

Directors

Chris Tonkin B.Sc (Hons.), BA, MBA, GAICD, CFTP(Snr) (Appointed Chairman 20 May 2016)

Barney I. Berold B.Com, MBA

Nicholas Mather B.Sc (Hons. Geology), MAusIMM

Prof Ian R. Plimer B.Sc (Hons), PhD

William R. Stubbs LLB

Kyle Wightman B.Com, MBA, FAICD, CFTP(Snr)

Robbert de Weijer B.Eng (Mech) (Alternate Director for Mr. N. Mather and Mr W. Stubbs)

CFO/Company Secretary

Melanie Leydin CA

Chief Executive Officer

Roland Sleeman B.Eng (Mech), MBA, MAICD

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Stock Exchange

Australian Securities Exchange Limited

Level 4, North Tower Rialto

525 Collins Street

Melbourne, Victoria 3000

ASX code: LKO

Auditors

Pitcher Partners

Level 19, 15 William Street

Melbourne, Victoria 3000

Share Registry

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street, Abbotsford

Victoria 3067

Lakes Oil NL is a no-liability company incorporated in Australia. Unless otherwise stated references to 'Lakes Oil' or 'the company' or 'the Group' refer to Lakes Oil NL and its controlled entities as a whole. Lakes Oil operates a web site which Directors encourage you to access for the most recent company information.

CORPORATE ACTIVITIES:

Corporate Changes

- On 20 May 2016 Mr Robert Annells retired from his positions of Chairman and Managing Director of Lakes Oil.

Mr Annells' stewardship of the company since its relisting in December 1985 is sincerely appreciated. Mr Annells was instrumental in building the company's exploration portfolio and in progressing exploration to a stage where the company is now poised to prove the potential of that portfolio.

- On 20 May 2016, Mr Chris Tonkin was appointed to the role of Chairman of Lakes Oil. Mr Tonkin has been a Director of the company since 9 September 2015.
- On 2 June 2016, Mr Andrew Davis resigned from his position as Independent Director of Lakes Oil. Mr Davis was originally appointed to the Board on 9 September 2015. His contribution to the company is greatly appreciated.
- With the retirements of Messrs Annells and Davis, the size of the Board of Lakes Oil has been reduced to six Directors. The Directors have elected to temporarily reduce their remuneration by one third and, subject to Shareholder approval, to pay 50% of the reduced remuneration as shares instead of cash. These initiatives reduce the quantum of Directors' fees by 75% (or \$100,000 per annum).
- On 29 June, The company announced the appointment of Mr Roland Sleeman to the position of Chief Executive Officer.

Mr Sleeman's appointment is for an initial period of 6 months, during which time he will work with the Board to:

- complete a strategic review of the Company's assets, involvements and future direction; and
- clearly communicate the Company's direction to the market.

The material terms of Mr Sleeman's appointment are:

- Initial term to 8 December 2016, with Lakes Oil having the ability to extend the term for 6 months;
 - Remuneration \$162,500 inclusive of superannuation, of which \$54,166 will be taken as shares.
- On 29 June 2016, the company also announced Mr Leslie Smith's resignation from the position of Company Secretary and Chief Financial Officer. Mr Smith filled those roles for 6 years. His dedication and input will be missed.

With effect from 30 June 2016, Mr Smith has been replaced through a part-time contract arrangement with Ms Melanie Leydin, the principal of chartered accounting firm, Leydin Freyer.

Capital Raising

- On 30 June 2016, Lakes Oil issued a Prospectus for a non-renounceable rights issue of listed unsecured converting notes (Notes). Key features of the rights issue are:
 - The Notes will have an issue price of \$10 each;
 - Security holders will be entitled to 1 Note for every 20,000 Entitlement Securities held. Entitlement Securities comprise existing issued shares, and existing Converting Notes

(trading as LKOGA) multiplied by a share conversion factor of 6,667. The rights issue is non-renounceable, meaning Entitlement Holders who do not take up their entitlement will not be able to transfer or receive any value for those entitlements;

- Holders of Entitlement Securities may apply for Notes in excess of their entitlement. A maximum of 710,000 Notes will be issued;
 - Interest will be payable twice annually on the Notes at a rate of 10% per annum;
 - Each Note will, upon maturity, convert into 9,091 shares. The Maturity Date is 31 May 2018. In the event the 30-day average closing price of the company's shares prior to the Maturity Date is less than 0.11 cents then the number of shares issued upon conversion will be increased by an Uplift Factor to a maximum of 10,000 shares per Note. Details of the Uplift Factor are set out in the Prospectus;
 - Note holders will have an option of early conversion (at 9,091 shares per Note) by notice given on an interest payment date;
 - Lakes Oil will apply for quotation of the Notes on the official list of the ASX as LKOGB;
 - The Record Date upon which entitlements to Notes was determined was 7.00 pm on 14 July 2016. The Closing Date for acceptance of entitlements is 5.00 pm (Melbourne time) on 5 August 2016. Notes will be issued on Friday 12 August 2016, and normal trading of Notes on the ASX will commence on Monday 15 August 2016;
 - If there is a shortfall after closure of the Notes offer, the shortfall may at the Directors' discretion be offered to other investors. Shortfall applications will only be accepted until the earlier of 3 months after close of the offer, or until the whole of the shortfall has been allotted;
- The objective of the capital raising is to fund ongoing expenses. If fully subscribed, the company's cash balance will be increased by an amount of \$5,520,000 (after allowing for interest set aside with respect to the Notes and capital raising costs).

Current Government position on onshore exploration

- Lakes Oil is still waiting on the Victorian Government's decision regarding onshore oil and gas exploration activity in the State. A decision was to have been announced in June 2016 in response to the Environmental and Planning Committee's report into unconventional onshore exploration in Victoria. However, following appointment of the Hon. Wade Noonan to the position of Minister for Resources, the decision was delayed to afford the Minister time to solicit further input on and fully review the Committee's report.
- A decision is now scheduled to be handed down no later than 16 August 2016. It is possible a decision may be announced earlier.
- While in force, the onshore exploration ban is preventing Lakes Oil from conducting exploration activities in its onshore Victorian acreage. The tenures of the company's exploration permits and retention leases have been commensurately extended and work commitments suspended.

EXPLORATION ACTIVITIES

Onshore Victoria

PEPs 163, 167 and 175, Otway Basin (Lakes Oil: Operator, 100% interest)

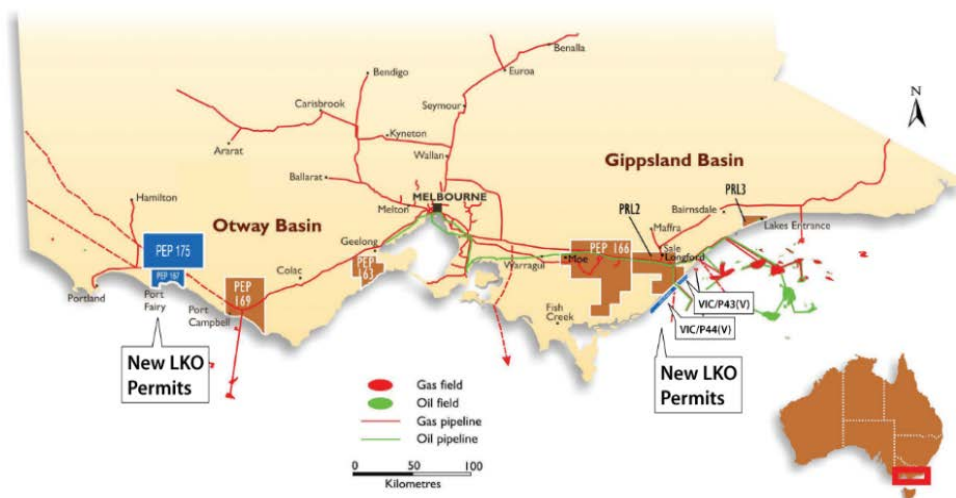
PEP169, Otway Basin (Lakes Oil: Operator, 49% interest)

PRL2, Gippsland Basin (Lakes Oil: Operator, varying interest across permit - subject to reserved rights)

PRL3, Gippsland Basin (Lakes Oil operator, 100% interest)

PEP166, Gippsland Basin (Lakes Oil: Operator; 75% interest)

- While there has been no new exploration activity within Victoria during the current Quarter, Lakes Oil has a number of highly prospective drilling opportunities ready to progress if the onshore exploration ban is lifted. In particular
 - The Wombat-5 well, a conventional directional well within (delete"in") PRL2, is proposed with a view to commercialising the Wombat Gasfield;
 - The Otway-1 well, a conventional vertical well within PEP169, is proposed to target the Waarre Sandstone and the underlying Eumarella Formation, both of which have flowed gas at commercial rates (delete "commercially") at nearby locations; and
 - Two conventional wells are proposed within PEP175 to demonstrate the potential for production of gas from the Eumarella Formation as a basis for the company's proposed Portland Energy Project. This project has potential to fundamentally and positively change Victoria's gas supply position.
- Subject to funding, drilling of these wells will be expedited when the Victorian Government's onshore conventional exploration ban is lifted.



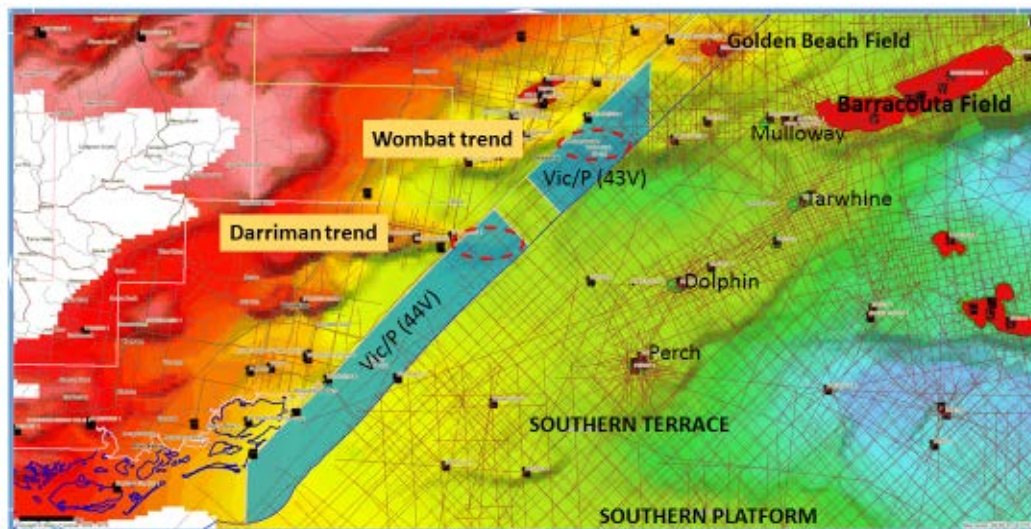
Lakes Oil's Victorian Permits

Near-shore Victoria (Gippsland Basin)

VIC/P43(V) and VIC/P44(V) (Lakes Oil: Operator, 100% interest)

- The primary reservoir target within these near-shore permits is the top of the Strzelecki Formation.
- Both permits areas are also considered to have potential for production of oil and gas from traps in the top-Latrobe and intra-Latrobe Formations. Oil and gas may have migrated to these traps from large fields further offshore. The Golden Beach gas field, located immediately east of VIC/P43(V) is an example of the type of opportunity that Lakes Oil plans to investigate.
- Detailed airborne gravity data and seismic mapping carried out over VIC/P43(V) indicates that offshore structuring is continuous with that of the Wombat field, onshore in PRL2.

- Within VIC/P44(V), seismic mapping of the top of the Strzelecki Formation indicates that the Darriman structure extends from onshore into the permit, confirming potential for exploration targets within the acreage.
- The company is awaiting approval for suspension of commitments and extension of the term of the near-shore permits.

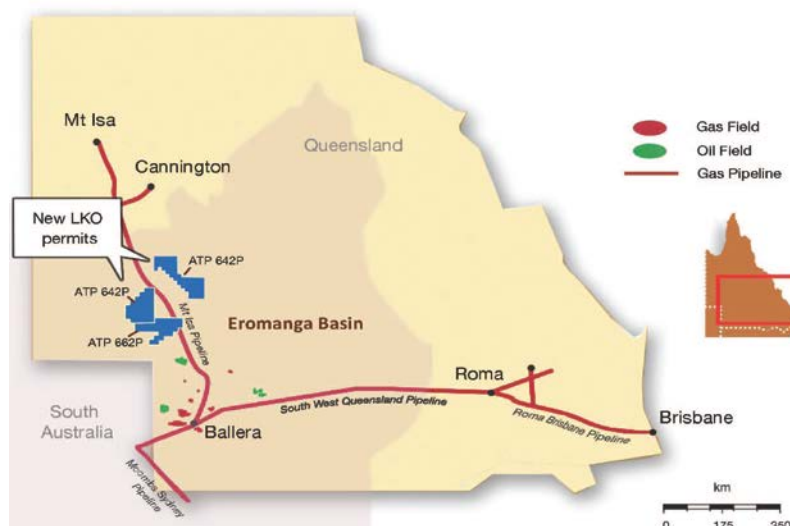


Top Latrobe structure map of the Gippsland Basin shows that E-W onshore trends extend offshore into Lakes Oil's permits, indicating potential for structural plays.

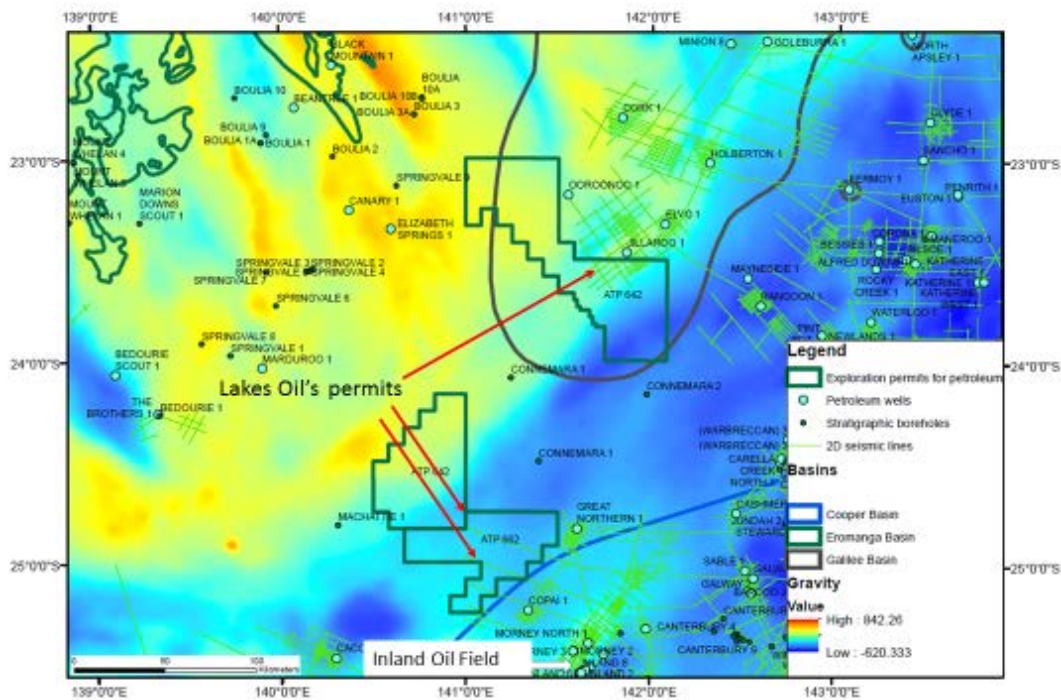
Queensland, Eromanga Basin

ATPs 642P and 662P (Lakes Oil: Operator, 100% interest)

- Delete "ATPs 662P and 642P are considered prospective for hydrocarbon production". Both permits are well positioned relative to potential hydrocarbon migration pathways along the northern flank of the Cooper and Eromanga Basins. The Carpentaria Gas Pipeline crosses ATP 662P and the northern tip of ATP 642P.
- Since the Queensland permit areas are relatively underexplored, with limited seismic data and no exploration wells (refer to map below), the potential for acquisition of regional remote sensing data is being investigated as a means to enable an understanding of subsurface geology and hydrocarbon prospectivity.
- Lakes Oil is seeking a joint venture partner for pursuit of its Queensland opportunities.



Lakes Oil's Queensland Permits



Regional gravity map of Lakes Oil's acreage in western Queensland shows gravity lows (dark and light blue tones) in the southern parts of ATPs 642P and 662P, indicating areas of sedimentary thickening and potential for hydrocarbon plays. The Inland Oil Field, located about 50 km SE of ATP 662P, exhibits structural settings like those that may be present in Lakes Oil's acreage.

Eagle Prospect, Onshore California, USA

(Lakes Oil: 17.97% interest. Operator: Strata -X Inc.)

- The Eagle Prospect contains the Mary Bellochi-1 well, which was drilled in 1986 by Lakes and its joint venture partners, and flowed oil to surface for several weeks before withering out. Indications at the time were that failure of the well was the result of a mechanical problem, rather than oil ceasing to be present.
- Drilling of the Shannon-1 well, to be located close to the Mary Bellochi-1 well location, is proposed. The well will be a near-offset appraisal of the P90 reserves, estimated at 1.2 MMBbl (oil) and 3.8 Bcf (gas). Drilling is planned, but not confirmed, pending rig availability.

Victorian Coal Exploration Leases

ELs 5333, 5334 and 5394 (Commonwealth Mining Pty Ltd, 100%)

- Commonwealth Mining Pty Ltd is a wholly owned subsidiary of Lakes Oil NL.
- No exploration activities were undertaken during the Quarter.
- These areas were acquired by the company to investigate the resource potential of economically recoverable brown coal. They are considered to be non-core and will be relinquished.

R K Sleeman

Roland Sleeman
Chief Executive Officer

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Lakes Oil NL

ABN

62 004 247 214

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	5	17
	Receipts from joint Venture Partners	-	-
1.2	Payments for (a) exploration & evaluation	(110)	(430)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(617)	(2,811)
	(e) capital raising	-	(5)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	5	25
1.5	Interest and other costs of finance paid -Other	-	(17)
1.6	(Income taxes paid)\ R&D Refund	-	1,035
1.7	Net movement in GST suspense account	-	9
	Net Operating Cash Flows	(717)	(2,177)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
	(d) other -	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	5	5
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	5	5
1.13	Total operating and investing cash flows (carried forward)	(712)	(2,172)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(712)	(2,172)
1.14	Cash flows related to financing activities		
	Proceeds from issues of shares, converting notes, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	182	182
1.16	Proceeds from borrowings	1,000	1,000
1.17	Repayment of borrowings	-	(1,000)
1.18	Dividends paid	-	-
1.19	Interest on converting notes and finance costs	(210)	(423)
	Net financing cash flows	972	(241)
	Net increase (decrease) in cash held	260	(2,413)
1.20	Cash at beginning of quarter/year to date	861	3,534
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter – including \$363K held on trust by Equity Trustees Ltd for Converting Note Interest Payments	1,121	1,121

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	207
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Wages paid to directors and director related entities during the June 2016 quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 6 April 2016 the company issued 136,620,000 fully paid ordinary shares upon the early conversion of 27,324 listed unsecured converting notes.

On 29 June 2016 the company issued 70,166,666 fully paid ordinary shares to employees as part of their remuneration packages.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,000	1,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation expenditure	(50)
4.2 Development	-
4.3 Production	-
4.4 Administration	(350)
Total	(400)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank –	607	136
Cash – held on trust by Equity Trustees Ltd for Converting Note Interest Payments	363	574
5.2 Deposits at call	151	151
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,121	861

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference⁺securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	11,865,239,705	11,865,239,705	
7.4	Changes during quarter (a) Increases through issues/conversion of convertible debt (b) Decreases through returns of capital, buy-backs	136,620,000 54,166,666 16,000,000	136,620,000 54,166,666 16,000,000	Nil \$0.001 (0.1 cent) \$0.002 (0.2 cent) \$0.001 (0.1 cent) \$0.002 (0.2 cent)
7.5	+Convertible debt securities (description)	349,322	349,322	\$10 per Note
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	27,324	27,324	\$10 per Note
7.7	Options (description and conversion factor)	58,000,000	Nil	Exercise price 0.5 cents
7.8	Issued during quarter			Expiry date 8 January 2021
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	Debentures (totals only)			
7.12	Unsecured notes (totals only)			

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 21 July 2016

Print name: Melanie Leydin

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.