



A.C.N. 004 247 214

Lakes Oil N.L.

Quarterly Activities Report

For the three months ended
31 December 2016

Highlights:

- To protect the Company's interests, and those of its 11,000+ long-standing shareholders, the Company launched legal proceedings against the Victorian Government regarding its onshore petroleum exploration ban.
 - Judicial Review proceedings were launched in the Victorian Supreme Court on 27 October 2016.
 - A Writ claiming for damages arising from 'derogation from grant' by the Victorian Minister for Resources was filed in the Victorian Supreme Court on 6 December 2016. The quantum of damages claimed exceeds \$2.7 billion.
- The Company's acquisition of Navgas Pty Ltd (Navgas) was completed on 18 January 2017 following receipt of shareholder approval at the Company's 2016 Annual General Meeting, held on 16 January 2017. Consideration for the acquisition was 9,600 million fully paid ordinary shares in Lakes Oil.

Through the acquisition of Navgas, Lakes Oil has acquired 100% ownership of highly prospective exploration acreage in Queensland and in South Australia. In view of the Victorian Government's ban on onshore petroleum exploration the newly acquired acreage will be the principal focus of Lakes Oil's exploration effort over coming years.

Lakes Oil is formulating plans to expedite exploration of the largest and most prospective of identified leads within the Queensland acreage (the 'Roma Shelf Project', ATP 1183).

Directors

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Stock Exchange

Australian Securities Exchange Limited

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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:

Victorian Onshore Exploration Ban

- The Victorian Government's unprecedented and unsubstantiated ban on all onshore petroleum exploration activity remains in place.
- On 22 November 2016 the Victorian Government introduced legislation that, if it is passed by Parliament, will permanently ban hydraulic stimulation and will extend the ban on all onshore exploration until at least mid-2020. The legislation also seeks to retrospectively protect Government from any liability for damages resulting from its otherwise unlawful actions.

Legal Proceedings

- To protect the Company's interests, and those of its 11,000+ long-standing shareholders, the Company investigated potential for, and has launched, legal proceedings against the Victorian Government regarding its onshore petroleum exploration ban.
- On 27 October 2016 Lakes Oil, through its wholly owned subsidiaries Mirboo Ridge Pty Ltd and Petro Tech Pty Ltd (as Plaintiffs), filed an application in the Supreme Court of Victoria seeking Judicial Review of the Victorian Minister of Resources' various decisions to:
 - pre-emptively refuse to consider or accept any application for approval to conduct petroleum exploration operations onshore in Victoria; and
 - refuse to consider the Plaintiff's specific applications for approval to conduct petroleum exploration operations.

The Judicial Review process involves consideration of whether the Minister has complied with the law, in particular the *Petroleum Act 1998* (Victoria).

- On 7 November 2016 the Supreme Court of Victoria made orders regarding the timetable for conduct of the Judicial Review proceedings, with the trial itself scheduled for 1 June 2017.
- On 6 December 2016 Lakes Oil, again with its wholly owned subsidiaries, initiated further legal proceedings through lodgement of a Writ in the Supreme Court of Victoria asserting that the actions of the Victorian Minister for Resources, in depriving the Company of its opportunity to use its exploration permits ('grants') constitutes a derogation from those grants. Damages are sought for the losses suffered by the Company as a result of the Minister's conduct.

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 quantum of damages claimed in the Writ exceeds \$2.7 billion, including \$92 million of past expenditure and over \$2.6 billion in lost future earnings.

- Lakes Oil is in discussion with parties ('litigation funders') regarding potential provision of funds specifically for the derogation from grant proceedings.

Navgas Acquisition

- Following on from the Company's 6 October 2016 announcement that it would, subject to shareholder approval, complete the acquisition of 100% of Navgas Pty Ltd, on 19 October 2016 DMR Corporate Pty Ltd were engaged to investigate and provide an independent report to shareholders regarding, the fairness and reasonableness of the proposed transaction.
- The Navgas acquisition was considered and approved at the Company's Annual General Meeting held on 16 January 2017, and was subsequently completed on 18 January 2017. Consideration for the acquisition was 9,600 million fully paid ordinary shares in Lakes Oil.

- Through the acquisition of Navgas, Lakes Oil has acquired 100% ownership of highly prospective exploration acreage in Queensland and in South Australia. In view of the Victorian Government's ban on onshore petroleum exploration the newly acquired acreage will be the principal focus of Lakes Oil's exploration effort over coming years. In particular:

Queensland Exploration ('Roma Shelf Project')

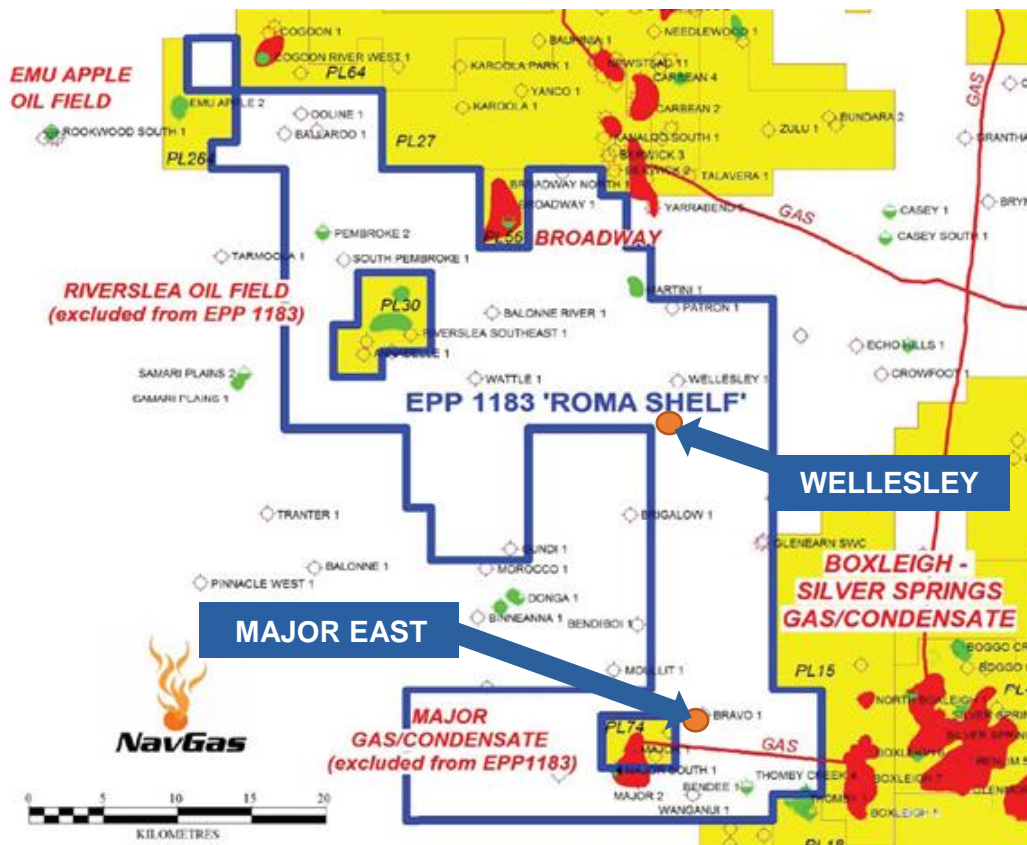
- ATP 1183, on the Roma Shelf in Queensland, is highly prospective for oil, gas and condensate discoveries, and is within close proximity of established production facilities and infrastructure. The tenement area itself surrounds the Riverslea Oil Field and Major Gas/Condensate Field.
- Based on reinterpretation of the existing seismic database and analysis of petroleum wells drilled by previous explorers, several promising conventional petroleum exploration targets have been identified within the Roma Shelf Project including, in particular (as illustrated in Figure 1):

- 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 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 (This is a best estimate prepared on a deterministic basis. It is sourced from page 17 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in 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 Major East Lead has a prospective gas resource of 13.8 BCF (This is a best estimate, determined by Mr Peter Bubendorfer, Exploration Adviser to Navgas Pty Ltd, who is an AAPG member, qualified in accordance with the requirements of ASX Listing Rule 5.42, and who has consented to the use of the estimate in the form and context in which it appears in this report. The estimate was finalised on 3 February 2015 and was published on the ASX Announcements Platform by the Navgas Pty Ltd then owner Dark Horse Resources Limited (known at that time as Navaho Gold Limited). 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.).

Figure 1: Roma Shelf Project – Key Exploration Leads

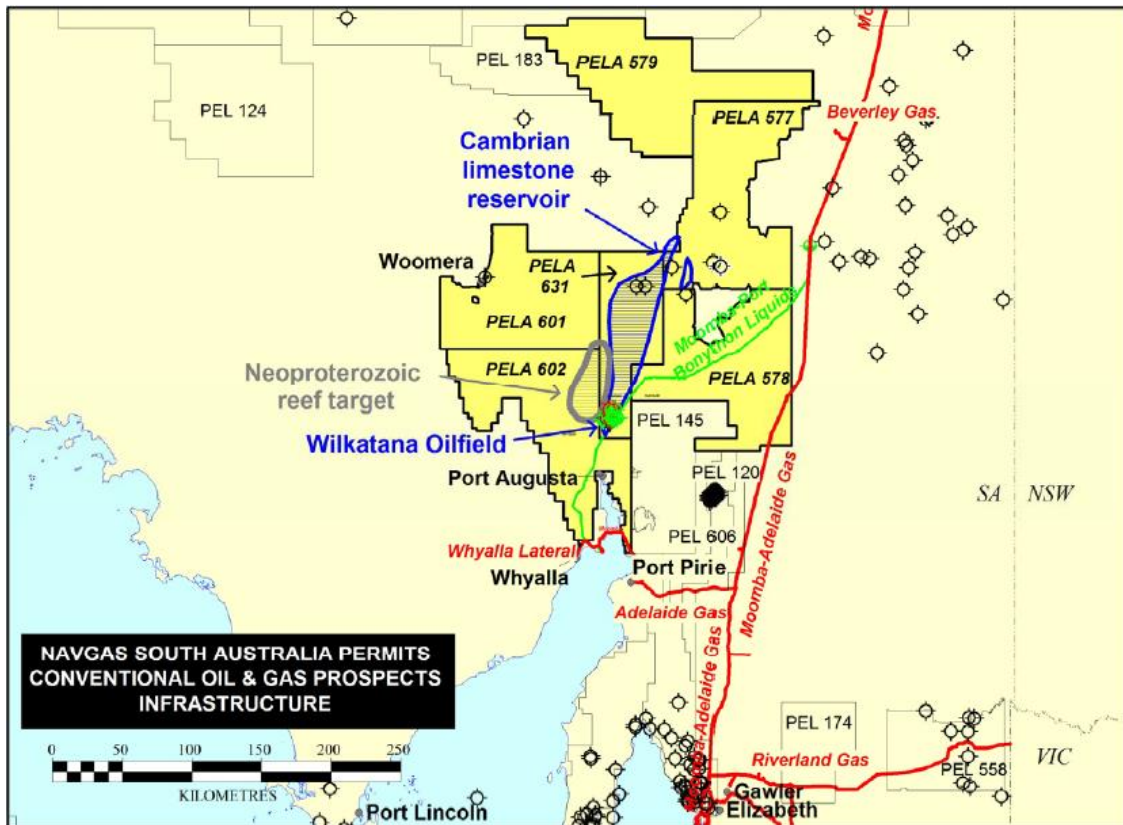


Pirie Torrens Basin Oil and Gas Project – South Australia

- The Pirie Torrens Oil and Gas Project incorporates six Petroleum Exploration Licence Applications (PELAs) located in South Australia and covering approximately 53,000km² as outlined in Figure 2. Petroleum exploration activities in the general area first commenced in 1956, when Santos was established to drill for oil at Wilkatana. This work, and subsequent drilling by other companies, historically confirmed the presence of oil and gas across the area of interest.
- Of particular near-term 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.

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Figure 2: South Australian Licence Application Areas



Other Corporate Initiatives

- On 29 November 2016 the Company allotted 37,500 Converting Notes ('LKOGB') from the shortfall outstanding from the Notes issue that closed on 9 September 2016. Funds of \$375,000 raised from the allotment were allocated to meet corporate costs.
 - The Company's 2016 Annual General Meeting (AGM) was, with approval of the Australian Securities and Investments Commission (ASIC), delayed to allow time for:
 - completion by the Independent Expert of its report to Shareholders regarding the fairness and reasonableness of the Navgas acquisition;
 - documentation regarding the Navgas acquisition to be submitted to ASIC in advance of it being provided to Shareholders; and
 - all meeting documentation to then be provided to Shareholders at least 30 days in advance of the deferred AGM.
- By deferring the AGM the need for and cost of a separate Special General Meeting to consider the Navgas acquisition was avoided.
- The AGM was held on 16 January 2017. All resolutions considered at the meeting were carried unanimously on a show of hands. The approved resolutions included:
 - adoption of a new Company Constitution; and
 - approval for issue of shares to directors on a monthly basis in arrears for the period from 1 January 2017 to 30 November 2017, as consideration for 50% of directors' fees payable. 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 per Share.

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)

- In view of the Victorian Government's adverse decisions there was no new exploration activity within Victoria during the current Quarter

Near-shore Victoria (Gippsland Basin)

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

- For cost efficiency reasons it is desirable that work within these permit areas be coordinated with onshore activity.
- In view of the Victorian Government's adverse decisions there was no new exploration activity within Victoria during the current Quarter.

Queensland, Eromanga Basin

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

- Lakes Oil is seeking a joint venture partner for pursuit of its western Queensland opportunities.

Queensland, Roma Shelf Project

ATP 1183 (Lakes Oil: Operator, 100% interest)

- Lakes Oil is formulating plans to expedite exploration of the largest and most prospective of identified leads, and for potential re-entry and re-testing of two previously drilled wells.

South Australia, Pirie Torrens Oil & Gas Project

PELAs (Lakes Oil: Operator, 100% interest)

- Lakes Oil proposes to review and reprocess historic data, including more recent seismic information gathered by Geoscience Australia, and to investigate potential for information sharing with other exploration companies active within the region, including those pursuing minerals and/or geothermal opportunities with a view to drilling of a stratigraphic corehole to further geological knowledge of the basin.

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.
- Relinquishment of these permits is in progress.



Roland Sleeman
Chief Executive Officer

Lakes Oil NL Tenement holding summary

Below is a listing of the tenements held by Lakes Oil NL as at the date of this report.

Joint operation or Permit name	Location (basin name)	Interest owned %	Interest acquired/farmin during the quarter	Interest disposed/farmout during the quarter
PEP 163	Otway	100.00	-	-
PEP167	Otway	100.00	-	-
PEP 169	Otway	49.00	-	-
PEP175	Otway	100.00	-	-
PRL 2–Overall Permit	Gippsland	100.00	-	-
PRL 2–Trifon Field	Gippsland	57.50	-	-
PRL 3	Gippsland	100.00	-	-
PEP 166	Gippsland	75.00	-	-
VIC/P43(V)	Gippsland	100.00	-	-
VIC/P44(V)	Gippsland	100.00	-	-
ATP642P	Eromanga/Cooper E	100.00	-	-
ATP662P	Eromanga/Cooper E	100.00	-	-
Eagle Prospect	California USA	17.96	-	-
EL5333 *	Gippsland	100.00	-	-
EL5334 *	Gippsland	100.00	-	-
EL5394 *	Gippsland	100.00	-	-

*Relinquishment applications lodged by the Company in 2016 are still being processed by Victorian Government Department(s).

** The Company completed the acquisition of Navgas Pty Ltd on 18 January 2017 and as such the tenements acquired as part of the acquisition have not been included in the above table.

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, 01/05/13, 01/09/16

Name of entity

LAKES OIL NL

ABN

62 004 247 214

Quarter ended ("current quarter")

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 month's) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9	9
1.2 Payments for		
(a) exploration & evaluation	(75)	(206)
(b) development	-	-
(c) production	-	-
(d) staff costs	(163)	(314)
(e) administration and corporate costs	(322)	(932)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(550)	(1,441)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments ¹	(400)	(400)
(d) other non-current assets	-	-

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Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 month's) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	750
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(400)	350

¹Represents the acquisition of a 4% equity interest in NavGas Pty Ltd

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	861	1,375
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(162)	(164)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (interest on borrowings)	(308)	(339)
3.10	Net cash from / (used in) financing activities	391	872

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,102	762
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(550)	(1,441)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(400)	350
4.4	Net cash from / (used in) financing activities (item 3.10 above)	391	872
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	543	543

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	392	851
5.2 Call deposits	151	151
5.3 Bank overdrafts	-	-
5.4 Other (funds held on trust)	-	100
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	543	1,102

6. Payments to directors of the entity and their associates**Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

-

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Nil

7. Payments to related entities of the entity and their associates**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Nil

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,000	1,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 5 April 2016, Lakes Oil NL fully owned subsidiary drew down a \$1,000,000 loan secured by a mortgage over land that it owns. The loan is repayable 12 months from the commencement date and Lakes Oil NL is guarantor for the loan.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	100
9.2 Development	-
9.3 Production	-
9.4 Staff costs	200
9.5 Administration and corporate costs	150
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	450

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EL5333* EL5334* EL5394*	Interest held through the companies 100% wholly owned subsidiary.	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

*The company lodged relinquishment applications with the department during the September 2016 quarter however the relinquishments have yet to be finalised by the department.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 31 JANUARY 2017

Company Secretary

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.