



A.C.N. 004 247 214

Lakes Oil N.L.

Quarterly Activities Report

For the three months ended
31 March 2017

Highlights:

- The Company launched a partially underwritten capital raising on 14 February 2017. The capital raising involved a non-renounceable entitlement issue of 1 fully paid ordinary share for each 4 eligible securities held by eligible security holders. For each new share issued, one bonus, unlisted 'performance right' was also issued to afford subscribers an attractive uplift opportunity if the Company's exploration or litigation initiatives are successful.

The capital raising closed on 17 March 2017 with 341,934,880 shares subscribed for, raising \$683,869.76. DGR Global Limited will, in accordance with its underwriting commitment, subscribe for a further 408,065,120 shares, bringing the total raised to \$1.5m (before costs).

The Company has three months to place 5,550,607,232 shortfall shares that were offered but not subscribed for as part of the entitlements issue.

- The Company's legal proceedings against the Victorian Government are continuing.
- The Company will acquire Mingoola Gold Pty Ltd from Dark Horse Resources Limited for consideration of \$1. Mingoola holds mineral exploration tenements that overlap the Company's South Australian exploration licence application areas. Information from any mineral exploration activities that the Company undertakes is likely to be of material value in assessing the potential of the overlapping petroleum exploration acreage.

Directors

Chris Tonkin B.Sc (Hons.), BA, MBA, GAICD
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)

CFO/Company Secretary

Melanie Leydin CA

Chief Executive Officer

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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 has now been enshrined in legislation. The *Resources Legislation (Fracking Ban) Act 2017* was passed by the upper house of the Victorian Parliament on 7 March 2017 and came into operation on 16 March 2017. The Act:
 - introduced a permanent ban on hydraulic stimulation ('fracking');
 - prohibits any petroleum exploration from being carried during the period to 30 June 2020; and
 - incorporates provisions that attempt to absolve the Victorian Government from any liability for payment of compensation for damages caused by its future or retrospective refusals to allow exploration activity in accordance with valid exploration permits.
- The Fracking Ban Act also incorporates a provision affording exploration permit holders a six month period during which they may (at their election) surrender a permit(s) in exchange for payment of an amount determined by the Minister for Resources by Order published in the Government Gazette. No Order has yet published.

Legal Proceedings

- The Company's legal proceedings against the Victorian Government are continuing. The proceedings, launched to protect the interests of the Company and its 11,000+ long-standing shareholders, initially involved:
 - an application (filed on 27 October 2016) for Judicial Review of the Victorian Minister for Resources' decisions to refuse to consider or accept applications to conduct petroleum exploration operations; and
 - civil proceedings (launched in the Supreme Court of Victoria on 6 December 2016) 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 were sought for the losses suffered by the Company as a result of the Minister's conduct.
- By way of an Amended Statement of Claim, filed in the Supreme Court of Victoria on 27 February 2017, the Judicial Review and civil proceedings, as described above, were combined into one proceeding.
- The Victorian Government's defence against the Company's legal proceedings has yet to be filed.
- A further Directions Hearing, to set out the timetable for the legal proceedings, is scheduled for 5 May 2017.
- Lakes Oil's discussions with parties ('litigation funders') regarding potential provision of funding for the Company's legal proceedings are continuing.

Mingoola Gold Acquisition

- The Company has reached agreement with Dark Horse Resources Limited to purchase Mingoola Gold Pty Ltd ('Mingoola'). Consideration for the acquisition will be \$1.
- Mingoola holds five South Australian mineral exploration tenements that overlap parts of Lakes Oil's South Australian petroleum exploration licence applications. Information from mineral exploration activities may be of material value in assessing the potential of the overlapping

petroleum exploration acreage, which are held by the Lakes Oil's wholly owned subsidiary, Navgas Pty Ltd.

- There are exploration commitments in place in respect of Mingoola's mineral exploration tenements. To the extent that fulfilment of these commitments is not possible, it is anticipated the tenements will be selectively relinquished.
- Following completion of the acquisition of Mingoola, the Company will undertake desktop studies to ascertain which of the tenements offer the best prospects for exploration success in order to prioritise exploration expenditure.

Other Corporate Initiatives

- On 7 April 2017 the Company issued 2,149,856,250 fully paid ordinary shares following the automatic conversion on maturity of 343,977 Converting Notes (ASX: LKOGA). The conversion was based upon 6,250 shares per Converting Note in accordance with an Uplift Factor as outlined in the LKOGA Prospectus dated 11 March 2015.

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)

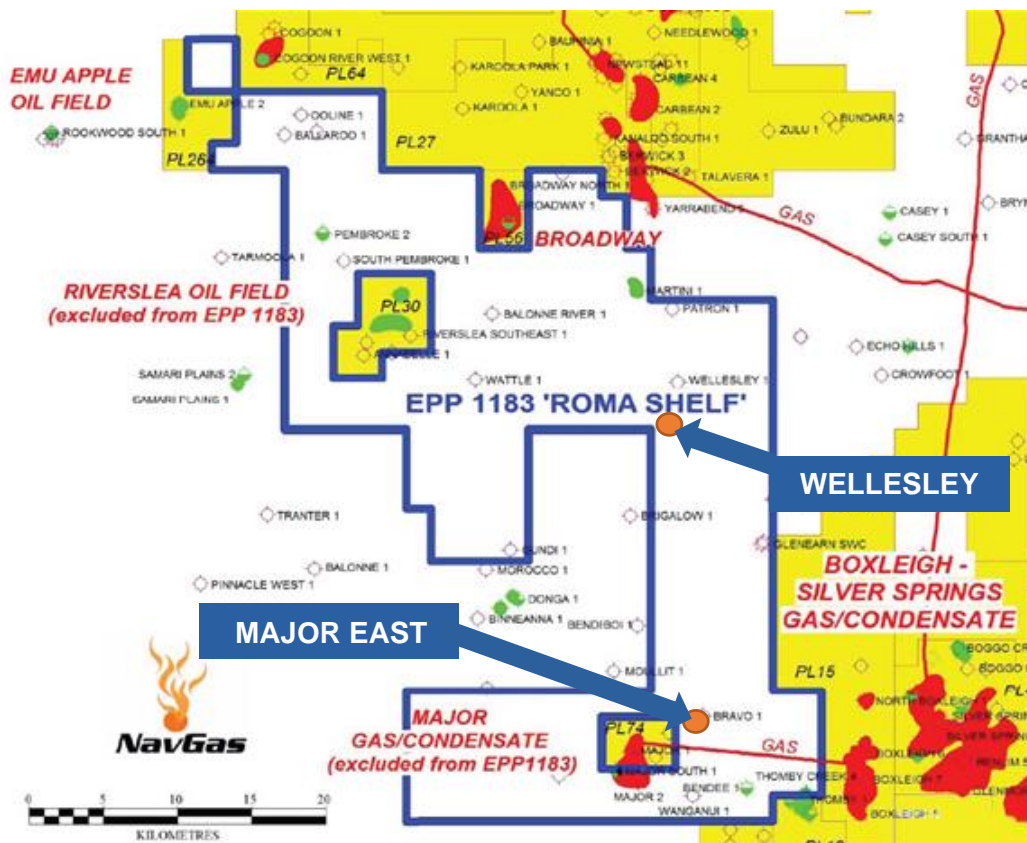
- ATP 1183 is highly prospective for oil, gas and condensate discoveries, and is within close proximity of established production facilities and infrastructure. The tenement area itself surrounds the Riverslea Oil Field and Major Gas/Condensate Field.
- Lakes Oil is formulating plans to expedite exploration of the largest and most prospective of identified leads within ATP 1183, on the Roma Shelf in Queensland. 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 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

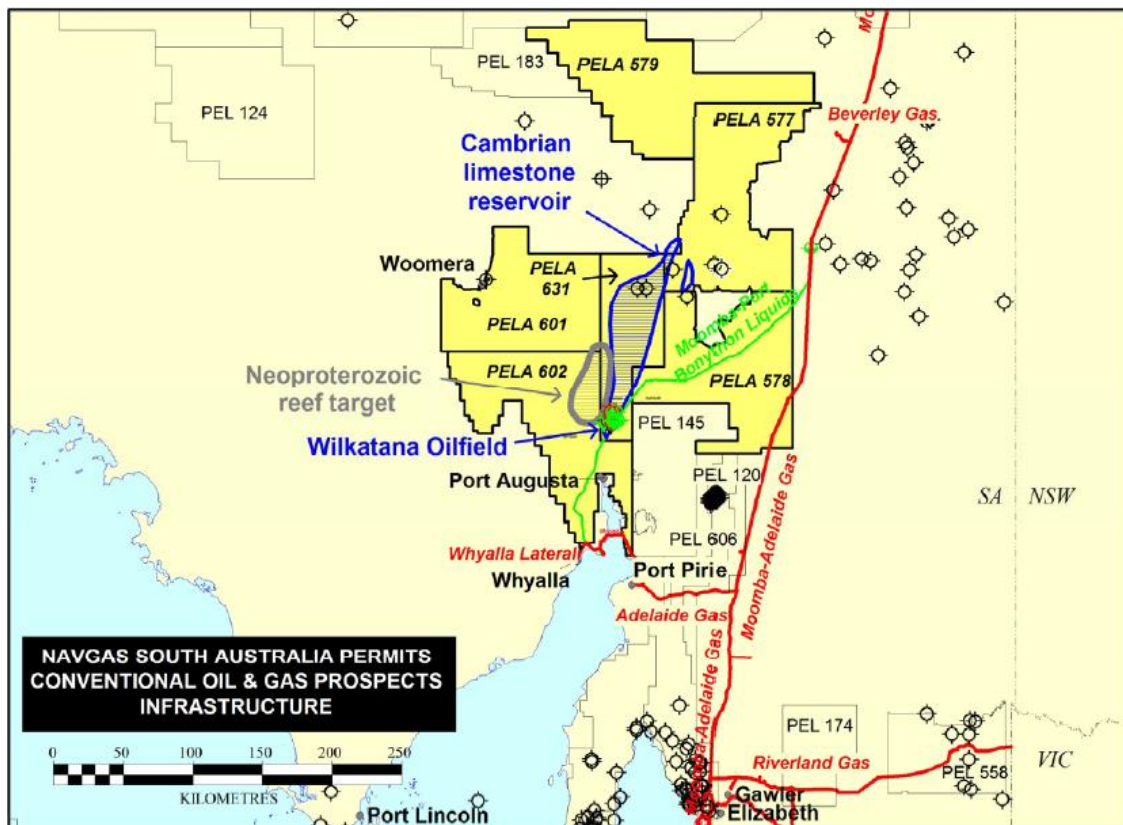


South Australia, Pirie Torrens Oil & Gas Project

PELAs (Lakes Oil: Operator, 100% interest)

- 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.
- Lakes Oil proposes to review and reprocess historic data, including more recent seismic information gathered by Geoscience Australia, and to investigate potential for drilling of a stratigraphic corehole to further geological knowledge of the basin.
- 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.

Figure 2: South Australian Licence Application Areas



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.

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	-	-
ATP1183	Surat/Bowen	100.00	100.00	-
Eagle Prospect	California USA	17.96	-	-
PELA577*	Pirie Torrens, SA	100.00	100.00	-
PELA578*	Pirie Torrens, SA	100.00	100.00	-
PELA579*	Pirie Torrens, SA	100.00	100.00	-
PELA601*	Pirie Torrens, SA	100.00	100.00	-
PELA602*	Pirie Torrens, SA	100.00	100.00	-
PELA631*	Pirie Torrens, SA	100.00	100.00	-

*Tenements in application phase only, remain subject to government approvals.

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 MARCH 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 month's) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5	14
1.2 Payments for		
(a) exploration & evaluation	(27)	(233)
(b) development	-	-
(c) production	-	-
(d) staff costs	(213)	(527)
(e) administration and corporate costs	(453)	(1,387)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
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	(687)	(2,130)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	(400)
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	-	350

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	684	684
3.2	Proceeds from issue of convertible notes	-	1,375
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(19)	(182)
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)	(31)	(369)
3.10	Net cash from / (used in) financing activities	634	1,508

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	543	762
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(687)	(2,130)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	350
4.4	Net cash from / (used in) financing activities (item 3.10 above)	634	1,508
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	490	490

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	380	392
5.2 Call deposits	110	151
5.3 Bank overdrafts	-	-
5.4 Other (funds held on trust)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	490	543

6. Payments to directors of the entity and their associates

- 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

Current quarter \$A'000
-
-

Nil

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
-
-

Nil

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	80
9.2 Development	-
9.3 Production	-
9.4 Staff costs	130
9.5 Administration and corporate costs	500
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	710*

*Non-renounceable Entitlement Issue underwritten portion and shortfall to be finalised during the June 2017 quarter.

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	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	ATP1183	Acquired through the acquisition of NavGas Pty Ltd.	-	100%

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: 26 APRIL 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.