



# LAKES OIL NL

ABN 62 004 247 214

## LISTED UNSECURED CONVERTING NOTES 10% INTEREST PER ANNUM RIGHTS ISSUE PROSPECTUS

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 10,000 fully paid or partly paid ordinary shares held, with a \$500 minimum entitlement and subscription. Fractional entitlements will be rounded up to the nearest Note. Shareholders may apply for Notes in excess of their entitlement.

### Summary of Principal Terms

Interest is payable half yearly at the rate of 50 cents per Note immediately following each Interest Payment Date (31 May 2013, 30 November 2013, 31 May 2014 and 30 November 2014), equating to 10% per annum interest rate.

All interest payable is to be maintained in an account controlled by the Paying Trustee on trust for holders of Notes and for their benefit for the purposes of providing for payment of all future interest payments.

The Maturity Date (when conversion into Shares occurs) is 30 November 2014. However, each holder can elect to convert Notes earlier at any of the prior Interest Payment Dates. Notes will also convert early in the case of a change in control at 0.2 cents per Share. The Notes are not redeemable by Lakes Oil.

Each Note converts into 5,000 Shares. However, if the 30 Day Average Closing Share Price prior to the Maturity Date is less than 0.2 cents, the number of Shares received on conversion for each Note will be increased to a maximum of 6,667 Shares on the basis of an Uplift Factor formula (having regard to the 30 Day Average Closing Share Price with a minimum price of 0.15 cents) as set out in this Prospectus. This Uplift Factor increase only applies if conversion occurs on the Maturity Date.

The closing date for acceptance of this offer is  
**3 December 2012.**

Lakes Oil reserves the right to issue any shortfall within  
a 3 month period after the closing date.

This is an important document. Please read it carefully.  
If you do not understand the contents of this prospectus  
you should consult your stockbroker, accountant,  
solicitor or other professional adviser.

**THIS IS A SPECULATIVE ISSUE**

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## CORPORATE DIRECTORY

### *Directors*

Robert J. Annells CPA, F.Fin (Executive Chairman)  
Nicholas Mather BSc (Hons. Geology) mAusIIM (Non Executive)  
Barney I Berold BCom, MBA (Non Executive)  
William R Stubbs LLB (Non Executive)  
Peter B. Lawrence BCom, MBA, FCPA (Non Executive) - retiring in November 2012  
James H.Y. Syme LLB (Non Executive) - retiring in November 2012

### *Chief Financial Officer/Company Secretary*

Leslie Smith BBS, MBA, CPA, CA(NZ)

### *Registered Office*

Level 14, 500 Collins Street  
Melbourne Victoria 3000

Telephone: (03) 9629 1566  
Facsimile: (03) 9629 1624

### *Internet Addresses*

E-mail: [lakes@lakesoil.com.au](mailto:lakes@lakesoil.com.au)  
Web site: [www.lakesoil.com.au](http://www.lakesoil.com.au)

### *Note and Share Registry*

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067  
Telephone: 1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)

### *Trustee*

The Trust Company (Australia) Limited  
Level 15, 20 Bond Street  
Sydney NSW 2000

### *ASX codes*

LKO - Shares (current)  
LKOG - Notes (proposed)

## TIMETABLE

Prospectus Date	Tuesday, 23 October 2012
<b>Closing Date</b>	<b>Monday 3 December 2012</b>
Notes Issue	Friday 7 December 2012
Commencement of trading of Notes on ASX	Monday 10 December 2012
Despatch of Note confirmation of issue	Tuesday 11 December 2012

Please note that this timetable is indicative only and is subject to change.

## OFFER SUMMARY

This prospectus will enable current shareholders of fully and partly paid ordinary shares to make an investment in listed unsecured converting notes in Lakes Oil (Notes) by way of a non-renounceable rights issue together with an opportunity to apply for any shortfall which may occur. The price of the offer is \$10 per Note.

### Entitlement

#### ◆ Shareholder Entitlement

Shareholders are entitled to one Note for every 10,000 fully paid or partly paid ordinary shares bought before 24 October 2012 and held as at 7 PM (AEDT) on 31 October 2012 at \$10 each, with a \$500 minimum entitlement and subscription. Fractional entitlements will be rounded up to the nearest Note. Your enclosed Entitlement and Acceptance Form sets out your entitlement. The rights are non-renounceable, so entitlements not taken up will lapse and may be used for shortfall applications.

#### ◆ Shortfall Applications

Shareholders are invited to apply for additional Notes arising out of any shortfall by applying for shortfall using your Entitlement and Acceptance Form. If any shortfall is not applied for by shareholders, the directors may issue any remaining shortfall in their discretion during the 3 months after the close of the offer at the same price offered to shareholders – see section 5 for details.

Unless otherwise extended, the closing date for receipt of payment and applications is 5 PM on **3 December 2012**.

### Investment Features

A summary of the investment features of the Notes appears on the front cover of this prospectus. Lakes Oil has designed this offer for shareholders and other investors who would like to receive interest at an attractive rate, as well as convert their Notes into Shares on a favourable basis. In particular:

- The Notes convert to Shares at a maximum price of 0.2 cents each, so that holders of Notes stand to gain the full amount by which the price of Shares exceeds 0.2 cents following conversion. The last available price of the Shares prior to the date of this prospectus was 0.3 cents on 22 October 2012.
- Holders of Notes will be protected, down to a minimum of 0.15 cents per Share, against a price decline in the Shares when the Notes are converted to Shares in November 2014, thereby reducing any potential loss in value at that time.
- Holders will receive a half yearly interest payment of 50 cents for each \$10 Note (face value) held – equivalent to an annual rate of 10 per cent, until conversion of the Notes takes place. Moreover, the entire amount of the interest committed to be paid from time to time on all of the Notes will be held in an account administered by an independent trustee for the benefit of holders of Notes.
- Holders of Notes will be able to convert their Notes to Shares at the conversion price of 0.2 cents per Share at half yearly intervals prior to the maturity of the Notes in November 2014, providing them additional opportunities to capitalise on favourable share price movements prior to the maturity date in November 2014.
- During the entire life of the Notes they will be listed for quotation on the ASX.

### Substantial Shareholder Support

Armour Energy Limited currently has a 12.99% shareholding interest, and has confirmed its intention to subscribe for Notes to increase its current holding to, on the conversion of those Notes, achieve a position of 15% of the total issued share capital and the Note issue, in Lakes Oil.

### Purpose of the Issue

Proceeds from this issue will be used to fund the near term drilling of the Otway 1 well in PEP169, advance the knowledge of oil prospectivity in the Gippsland Basin, the exploration of other high impact targets and to provide working capital.

## 1. INVESTMENT FEATURES AND RISK FACTORS SUMMARY

This prospectus is for a non-renounceable rights issue of listed unsecured converting notes (Notes) at a price of \$10 each on the basis of 1 Note for every 10,000 fully paid or partly paid ordinary shares held), with a \$500 minimum entitlement and subscription. Fractional entitlements will be rounded up to the nearest Note. Shareholders may apply for Notes in excess of their entitlement.

### Summary of Principal Terms

See summary as set out on the cover of this prospectus.

The precise conditions of issue of the Notes are set out in Annexure A and are summarised in section 2 of this prospectus.

There is no minimum amount sought to be raised by the offer and Notes will be allotted in respect of applications irrespective of the total level of subscriptions made. The offer is not underwritten.

At the same time, the Notes carry with them the following key risk factors, which are set out in more detail in section 7 of this prospectus, together with other risk factors which are also described in section 7:

- Holders of Notes have no right to a repayment of their investment, and their entitlements will be fully satisfied through the issue of Shares on conversion as well as the payment of interest. Investors should appreciate that an investment in Notes carries with it certain risks. The Notes may trade at a price of less than \$10, and liquidity may be thin. The Uplift Factor formula (which applies if the 30 Day Average Closing Share Price is less than 0.20 cents) only applies at the Maturity Date and not any earlier date that conversion might occur. The Uplift Factor is limited by a maximum effective rate set out in the Uplift Factor formula (refer to section titled "Conversion ratio" in section 2 below), and does not apply to the extent to which this price is less than 0.15 cents. The Notes are not redeemable by Lakes Oil, and in the event of external administration (ie, insolvency), the Notes convert into Shares.
- This issue is not underwritten and there is no minimum subscription level. There is no guarantee that Lakes Oil will be able to secure further funding or that the terms of future funding will not be dilutive to investors. The auditor's opinion in the Lakes Oil's audited accounts for the financial year ended 30 June 2012 is subject to a qualification that its ability to carry on as a going concern is subject to its ability to raise sufficient funding.
- The current moratorium described in section 6 of this prospectus on hydraulic fracturing or "fracking" imposed by the Victorian Government pending the introduction of national legislation regulating fracking restricts the ability of Lakes Oil and its joint venture partners from conducting these aspects of their planned exploration works program.

## 2. NOTES SUMMARY

The full conditions of issue are set out in Annexure A, and a summary of the key terms is set out as follows:

<b>Issuer</b>	Lakes Oil NL ABN 62 004 247 214
<b>Securities</b>	Converting Notes
<b>Issue price</b>	\$10 per Note

**Entitlement offer** Shareholders are offered a non-renounceable right to subscribe for 1 Note for every 10,000 fully paid or partly paid ordinary shares they hold in Lakes Oil, with a \$500 (50 Note) minimum entitlement and subscription. Fractional entitlements will be rounded up to the nearest Note.

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**Size of issue** Up to \$7,200,000.

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**Shareholder oversubscriptions** As the offer is not being underwritten, shareholders will have the right to apply for oversubscriptions. The directors reserve the right to place any residual shortfall at their discretion during the 3 months after the close of the offer at \$10 per Note.

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**Use of proceeds** Funds raised through this issue will be used to fund the near term drilling of the Otway 1 well in PEP169, advance the knowledge of oil prospectivity in the Gippsland Basin, the exploration of other high impact targets and to provide working capital.

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**Listed** The Notes will be listed on ASX.

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**Disclosure Document** The Notes will be issued under a "limited disclosure" section 713 prospectus under the Corporations Act.

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**Term and Maturity Date** 30 November 2014 unless Notes are converted earlier as set out below.

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**Interest Calculation** Interest is payable at the rate of 50 cents per Note within 10 Business Days following each Interest Payment Date (reduced proportionately in the event of an earlier Change of Control).

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**Interest Payment** Interest is payable half yearly at the rate of 50 cents per Note immediately following each Interest Payment Date (31 May 2013, 30 November 2013, 31 May 2014 and 30 November 2014), equating to an approximate 10% per annum interest rate.

Lakes Oil will on the date of issue of the Notes deposit an amount in excess of the estimated interest on the Notes in an account controlled by the Paying Trustee for holders of Notes and for their benefit for the purposes of providing for payment of all future interest payments.

If Lakes Oil becomes an externally administered body corporate within the meaning of the Corporations Act, (essentially being insolvent), all interest on the Notes which would potentially be payable in the future on any future Interest Payment Date will immediately become due and payable to the holders of Notes.

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**Conversion ratio** Each Note converts into 5,000 Shares. However, if the 30 Day Average Closing Share Price prior to the Maturity Date is less than 0.2 cents, the number of Shares received on conversion for each Note will be increased to a maximum of 6,667 Shares on the basis of an Uplift Factor formula contained in the definition of "Conversion Rate" in Annexure A (having regard to the 30 Day Average Closing Share Price with a minimum price of 0.15 cents). This Uplift Factor increase only applies if conversion occurs on the Maturity Date.

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**Early Conversion** **Election by Holder:** Each holder of Notes can elect to convert the Notes early by notice to Lakes Oil before 31 May 2013, 30 November 2013 or 31 May 2014 (Early Conversion Dates). Any Notes the subject of early conversion will be the subject of a share issue at the conversion ratio within 10 Business Days of the Early Conversion Date, when final payment of interest up to the Early Conversion Date will be made.

**Change of Control:** There will be automatic early conversion of the Notes in the event of a Change of Control, namely if:

(a) a takeover bid within the meaning of the Corporations Act is made for the shares in Lakes Oil and the bidder acquires a relevant interest in 50% of Lakes Oil's ordinary shares and the bid is declared unconditional; or

(b) a court orders a meeting to be held in relation to a proposed scheme of arrangement in relation to Lakes Oil the effect of which is that a person will acquire a relevant interest in at least 90% of the ordinary shares in Lakes Oil and shareholders pass the resolutions by the requisite majorities,

with conversion to occur within 10 Business Days after the relevant event referred to in paragraph (a) or (b) occurs together with final payment of interest.

**External Administration:** If Lakes Oil becomes an externally administered body corporate within the meaning of the Corporations Act, (essentially being insolvent), the Notes will automatically convert into Shares.

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**Security ranking** The Notes are unsecured and rank equally without preference among themselves and with other unsecured debts of Lakes Oil.

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**Non redeemable** Notes are not redeemable for cash by Lakes Oil.

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**Capital reconstruction** The conversion ratio will be adjusted by any capital reconstruction in accordance with the ASX Listing Rules and will otherwise comply with Listing Rule requirements.

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**Trustee and Note Trust Deed** A third party corporate trustee (The Trust Company (Australia) Limited) has been appointed as trustee pursuant to a Note Trust Deed, which sets out in detail the obligations of Lakes Oil.

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**Participation in future issues** Notes carry an entitlement to participate in future issues of Shares in Lakes Oil prior to conversion on the same basis as holders of Shares as though Early Conversion had taken place.

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**Voting rights**

Holders of Notes do not have a right to vote at general meetings of shareholders of Lakes Oil prior to conversion.

**Taxation**

Interest on the Notes is expected to be taxable in the hands of holders. Non-resident holders and holders who do not provide a tax file number may have withholding deductions applied from shares intended to be issued in lieu of interest. Holders of Notes will need to obtain their own tax advice.

Lakes Oil through the share registry will make contact with holders of Notes in due course regarding the provision of a tax file number, as well as the provision of bank account details for the purposes of crediting of interest.

**3. EFFECT OF OFFER**

The estimated working capital of Lakes Oil at 30 September 2012 (based on unaudited financial statements) is approximately \$1.1 million not including a debt outstanding to a third party of \$1 million payable in February 2013. If the offer is fully subscribed, this would raise a further \$7,200,000 less capital raising costs (approximately \$450,000).

There are currently 6,932,128,039 ordinary fully paid shares on issue. In addition there are 191,500,000 partly paid shares on issue (issued at 1.5 cents and paid to 0.1 cents with the balance to be paid by 30 September 2014 to avoid forfeiture). In addition there are 9,850,000 options on issue exercisable at 1.5 cents expiring on 9 January 2013. The issue of all of the Notes under this prospectus would when converted increase the number of shares on issue by:

- 3,600,000,000 Shares, assuming that the 30 Day Average Closing Share Price prior to conversion is 0.20 cents or more (being approximately 50% of the existing shares on issue); or
- Between 3,600,000,000 Shares and 4,800,000,000 Shares, assuming that the 30 Day Average Closing Share Price prior to the Maturity Date is less than 0.20 cents (being up to approximately 67% of the existing shares on issue).

The only shareholder which has disclosed a more than 5% shareholding interest at the date of this prospectus is Armour Energy Limited. Armour Energy Limited currently has a 12.99% shareholding interest, and has confirmed its intention to subscribe for Notes to increase its current holding to, on the conversion of those Notes, achieve a position of 15% of the total issued share capital, including the Note issue, in Lakes Oil.

**4. APPLICATIONS**

The Entitlement and Acceptance Form should be completed in accordance with the instructions contained on it. You should carefully read this prospectus and the application lodgement instructions (including payment details) before applying. You can apply using cheque, credit card or BPAY®. If payment is made by cheque, a cheque for the total amount due must accompany the form. All applications are subject to payments clearing.

Notes issued in respect of applications received by 3 December 2012 are expected to be quoted on a deferred settlement basis on 4 December 2012 and allotted on 7 December 2012 with listing to occur on 10 December 2012 and despatch of written confirmation of issue on 11 December 2012. Application monies will be held in trust in a subscription account until the issue of Notes occurs. Lakes Oil will be entitled to any interest earned in this account.

Investors who wish to sell Notes immediately following the close of the offer should ensure they will be or have been issued Notes before committing a trade. The Notes will be issued onto the same SRN or HIN that generated the entitlement. Holders of Notes may enquire through Computershare's Investor Centre website ([www.investorcentre.com](http://www.investorcentre.com)) after the issue date and satisfy themselves of the number of Notes issued to them

and onto what shareholder account the issue was effected. Otherwise they should consider waiting for written proof of the issue of Notes into their name before they trade.

In respect of successful applications lodged by or through holders of financial services licences on a deferred delivery basis, Lakes Oil will pay a brokerage fee of 5% (including acceptances of shareholder entitlements, shortfall applications by shareholders or general shortfall applications).

## 5. SHORTFALL APPLICATIONS

Lakes Oil reserves the right to accept or reject without interest all shortfall applications from shareholders and whether before or after 3 December 2012. No shortfall applications will be accepted from directors or their associates.

If there is any shortfall after the close of the offer, the directors will offer the shortfall to other investors at the same price as the offer to shareholders under this prospectus. Such applications will only be accepted until 3 months after the close of the offer or until the whole of any shortfall has been allotted whichever is the earlier and only then at the directors' discretion notwithstanding that the full \$7.2 million has not been raised. Lakes Oil may accept shortfall acceptances progressively during this period. Lakes Oil may close the acceptance of shortfall applications earlier than that maximum period should the directors feel that they have raised sufficient capital.

## 6. SUMMARY OF OIL AND GAS INTENDED ACTIVITIES

A summary of Lakes Oil's intended oil and gas activities are set out as follows.

As a result of the Victorian Government's moratorium on hydraulic fracturing of coal seam gas, Lakes Oil has been required to cease its hydraulic fracturing program of tight gas in rock formations which lie well below the water tables in Gippsland. The moratorium is expected to remain in place until such time as Victoria has considered the outcomes of the National Harmonization Framework for coal seam gas. While the moratorium is in effect Lakes Oil plans to undertake a program of activities focused on the search for oil and gas in the onshore Otway Basin, through the drilling of Otway 1, and for oil in the Gippsland basin.

The intended use of funds from the offer is as follows:

<b>Projects not affected by the moratorium</b>	<b>Estimated Lakes Oil expenditure</b>
<ul style="list-style-type: none"> <li>Drill Otway 1 to 1500m with 3 potential targets (combined as, possible condensate and oil potential) (Lakes Oil's share – 49%)</li> </ul>	\$1.5 million
<ul style="list-style-type: none"> <li>Drill two shallow wells in Lakes Entrance Oil Field to target oil-bearing greensand reservoir.</li> </ul>	\$1.3 million
<ul style="list-style-type: none"> <li>Drill Yallourn Power 1 core hole to 1200m (Lakes Oil's share – 75%) as a follow up to the Yallourn North 1A corehole which encountered oil saturated organic shale.</li> </ul>	\$0.7 million
<ul style="list-style-type: none"> <li>Working capital</li> </ul>	Balance of funds raised
<p><i>Timing of the above activities will be dependant on the quantum of funds raised and priority will be given to drilling of Otway 1. The above is also subject to joint venture arrangements and obtaining all necessary approvals including access.</i></p>	

## 7. RISK FACTORS

Due to the inherently uncertain nature of oil and gas exploration, an investment made under this prospectus should be considered speculative. Investors should realise that the value of their investment may fluctuate and that a dividend is not expected to be declared by Lakes Oil in the absence of exploration success. Whilst Lakes Oil attempts to minimise the following risk factors, the majority of them are beyond its control. This list of risk factors should not be taken as exhaustive of the risks faced by Lakes Oil or by investors. These factors and others not specifically referred to may materially affect the performance of Lakes Oil and the value of the Notes and Shares:

- (a) **Investment Risk:** Holders of Notes have no right to a repayment of their investment, and their entitlements are fully satisfied through the issue of Shares on conversion as well as the payment of interest. Investors should appreciate that an investment in Notes carries with it certain risks. The Notes may trade at a price of less than \$10 and liquidity may be thin. The Uplift Factor formula (which applies if the 30 Day Average Closing Share Price is less than 0.20 cents) only applies at the Maturity Date and not any earlier date that conversion might occur. The Uplift Factor is limited to a maximum effective rate set out in the formula and does not apply to the extent to which this price is less than 0.15 cents. The Notes are not redeemable by Lakes Oil, and in the event of external administration (ie, insolvency), the Notes convert into Shares.
- (b) **Funding Risk:** The offer is not underwritten and there is no minimum subscription level. Lakes Oil's future capital requirements will depend on numerous factors including the level of exploration and operating success. There is no guarantee that Lakes Oil will be able to secure further funding or that the terms of future funding will not be dilutive to investors. The auditor's opinion in the Lakes Oil's audited accounts for the financial year ended 30 June 2012 is subject to a qualification that its ability to carry on as a going concern is subject to its ability to raise sufficient funding. An inability of Lakes Oil to raise further funding will impact on its ability to carry on as a going concern and continue to be able to meet its commitments.
- (c) **Moratorium Risk:** The current moratorium described in section 6 of this prospectus on hydraulic fracturing or "fracking" imposed by the Victorian Government pending the introduction of national legislation regulating fracking restricts the ability of Lakes Oil and its joint venture partners from conducting these aspects of their planned exploration works program. There is no guarantee that the moratorium will be lifted, or that Lakes Oil and its joint venture partners will be permitted to conduct fracking operations in the future. The inability to conduct fracking operations significantly inhibits the ability of Lakes Oil to explore for hydrocarbons on its permits. In particular, Lakes Oil and its joint venture parties are prevented from undertaking certain parts of the work programs required in relation to the Victorian permits.
- (d) **Contractual Dispute Risk:** Contractual disputes with joint venture partners, operators and contractors can arise from time to time. Some of Lakes Oil's projects are conducted as joint ventures. Where a venture partner does not act in the best commercial interest of the project, it could have a material adverse effect on the interests of Lakes Oil. Lakes Oil is unable to predict the risk of financial failure, non-compliance with obligations or default by a participant in any venture to which Lakes Oil is, or may become, a party, or insolvency or managerial failure by any of contractors used by Lakes Oil in its exploration activities. Given that Lakes Oil has entered into farmout agreements where its obligations are assumed by others, the inability of those joint venturers or farminees to meet contracted obligations would adversely affect Lakes Oil's capacity to carry out its own activities.
- (e) **Exploration Company Risk:** As Lakes Oil is an exploration company, the market's perception of the value of its shares can alter significantly from time to time which can cause fluctuations in price. Fluctuations may also occur as a result of factors influencing the price of shares in exploration companies or share prices generally, as well as drilling activities by other parties in the same general region. The price of shares rises and falls and many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment. The stockmarkets generally remain volatile.

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- (f) **Industry Nature Risk:** Oil and gas exploration activity, especially drilling, by its nature is risky. Where exploration is successful, drilling operations can be affected by breakdowns, adverse weather conditions, site and geographical conditions, operational risks, shortage or delays in the delivery of rigs and/or other equipment, industrial disputes, government regulations, environmental issues and unanticipated costs. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by Lakes Oil. Exploration may be unsuccessful. Exploration may prove to be more costly than expected or the proposed timing of exploration may not be achieved, thus potentially putting strains on Lakes Oil's financial position.
  - (g) **Operating Risk:** Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gasses, the occurrence of any of which could result in substantial losses to Lakes Oil due to injury or loss of life, severe damage to, or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations, the occurrence of any of which could result in substantial losses to Lakes Oil. Damages occurring as a result of such risks may give rise to claims against Lakes Oil. The occurrence of an event that is not covered, or fully covered, by insurance could have a material adverse effect on the business, financial condition and results of operations of Lakes Oil.
  - (h) **Commercial Discovery Risk:** Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited. While drilling may yield some hydrocarbons there can be no guarantee that any discovery will be sufficiently productive to justify commercial development or cover operating costs. There can be no assurance that Lakes Oil will achieve production as this will depend on a wide range of factors, including development decisions, capital costs and operating costs and the ability of Lakes Oil to fund these costs.
  - (i) **Reserve and Resource Estimates Risk:** Hydrocarbon reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. In addition, such estimates are necessarily imprecise and depend to a significant extent on interpretations, which may prove inaccurate. The calculation of any possible volume of hydrocarbons in a prospect may be proved incorrect by future exploration/production, mapping and/or drilling.
  - (j) **Regulatory Risk:** It may not always be possible for Lakes Oil to participate in the exploitation of successful discoveries made in any areas in which Lakes Oil has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as Lakes Oil. Such further work may require Lakes Oil to meet or commit to financing obligations for which it may not have planned.
  - (k) **Market Pricing Risk:** Shareholders should consider the impacts of supply and demand for commodities (especially oil and gas), fluctuations in the prices of those commodities, exchange rates, Australia's inflation rates, taxation laws and interest rates. All of these factors have a bearing on operating costs, potential revenue and share prices. In particular, the price of oil is volatile and cannot be controlled. Oil and gas prices have fluctuated widely in recent years, and if the price of hydrocarbons falls significantly and remains depressed, this could affect the financial viability of any reserves discovered. There is no assurance that, even if significant quantities of hydrocarbon products are discovered, a profitable market may exist for their sale. The marketability of hydrocarbons is also affected by numerous other factors beyond the control of Lakes Oil, including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products, the effect of which cannot be accurately predicted.
  - (l) **Environmental Risk:** In relation to the exploration permits held by Lakes Oil, issues can arise from time to time with respect to abandonment costs, consequential clean up costs and environmental concerns. Lakes Oil could become subject to liability if, for example, there is environmental pollution and consequential clean up costs at a later point in time. It is not possible to quantify any

such contingent liability. Whilst no guarantee can be given, Lakes Oil is not aware of any advices which would suggest that there is any particular exposure in relation to any of its present interests.

- (m) **Governmental Risk:** The impact of actions by governments may affect Lakes Oil's operations including matters such as necessary approvals, land access, sovereign risk, additional or increased taxation and royalties which are payable on the proceeds of the sale of any successful exploration. Further, the approval of contractual arrangements in relation to exploration permits as well as the renewal of exploration permits is each a matter of governmental discretion and no guarantee can be given in this regard. A failure to obtain any approval would mean that the ability of Lakes Oil to participate in or develop any project may be limited or restricted either in part or absolutely. Industry profitability can be affected by changes in tax policies and the interpretation and application thereof.
- (n) **Native Title Risk:** Native title rights may adversely impact on Lakes Oil's operations. If Lakes Oil's ability to conduct exploration and/or development and production activities is adversely affected, this may have a material adverse effect on Lakes Oil's performance and share price.

## 8. TRUST DEED SUMMARY

The following is a summary of certain key features of the Trust Deed, which governs the basis on which the Notes are issued. To obtain a complete understanding of the Trust Deed it should be referred to in full, and a copy has been released to ASX and can be inspected together with other announcements on the Lakes Oil and ASX websites.

The Trust Deed provides for the appointment of The Trust Company (Australia) Limited as trustee for holders of Notes, is dated 22 October 2012 and is entered into between Lakes Oil and the Trustee.

Generally, the Trust Deed contains provisions which are in a manner customary for a document of this nature.

The Trust Deed provides that the Trustee holds its rights to enforce the duties which Lakes Oil has on trust for the benefit of holders of Notes.

The Trust Deed places various obligations on Lakes Oil to comply with the terms of issue of the Notes. Lakes Oil covenants to do all things as shall be required for giving effect to the Trust Deed and conferring the full benefit of it upon holders of Notes and the Trustee. In addition Lakes Oil agrees to comply with the terms of issue of Notes, as well as a variety of other matters.

Holders of Notes representing not less than 10% of the values of the Notes may requisition a meeting of holders of Notes, including for the purposes of giving the Trustee directions or instructions in relation to the exercise of the Trustee's powers. The Trustee may also convene such a meeting. Each holder of Notes is entitled to at least 14 Business Days notice of a meeting, or 21 Business Days in the case of a special resolution.

The Trustee is indemnified from liability by Lakes Oil to the maximum extent permitted by law. The Trust Deed also contains provisions limiting the liability of the Trustee in a manner customary for a document of this nature.

The Trustee may resign at any time on giving not less than 30 days' notice. The Trustee may also be removed by the holders of Notes. A resignation or removal does not take effect until a successor trustee has been appointed.

Lakes Oil and the Trustee may by deed between them amend, vary, modify or add to the Trust Deed without requiring the agreement or approval of holders of Notes if in the opinion of the Trustee the change is necessary or desirable to correct an error or to comply with any law or to comply with the ASX Listing Rules, the change is of a formal or technical nature, or the change is not likely to be materially prejudicial to the interests of holders of Notes.

## **9. PAYING TRUSTEE AGREEMENT**

The following is a summary of certain key features of the Paying Trustee Agreement, which governs the basis on which the interest on the Notes are held on trust for and for the benefit of holders of Notes. To obtain a complete understanding of the Paying Trustee Agreement it should be referred to in full, and a copy has been released to ASX and can be inspected together with other announcements on the Lakes Oil and ASX websites.

The Paying Trustee Agreement provides for the appointment of The Trust Company Limited as paying trustee for holders of Notes with respect to interest payments, is dated 22 October 2012 and is entered into between Lakes Oil, the Paying Trustee and the Trustee.

The Paying Trustee Agreement provides that on the date that Notes are issued, Lakes Oil must pay monies into an account controlled by the Paying Trustee, to be used to pay interest to the holders of Notes (Interest Account). The amount to be paid is \$1,500,000 on the basis that \$7,200,000 of Notes are issued, with this amount being proportionately reduced if less than 720,000 Notes are issued.

The Paying Trustee must hold the funds in the Interest Account on trust until such time that they are to be released in accordance with the Paying Trustee Agreement. In particular, the Interest Account is to be used for the purposes of paying interest to the holders of Notes in accordance with the terms of the Trust Deed.

Funds may only be paid out of the Interest Account to Lakes Oil to the extent that all future payments of interest to holders of Notes remains provided for in the Interest Account.

## **10. ADDITIONAL INFORMATION**

The latest available market sale price of Shares on the ASX on 22 October 2012 immediately prior to the lodgement of this prospectus with the ASIC was 0.3 cents. During the three months prior to that date the Shares traded on the ASX within the range of 0.2 cents to 0.5 cents.

Lakes Oil will make application to the ASX within seven days after the date of this prospectus for the Notes to be granted official quotation. Lakes Oil has been in consultation with ASX in this regard and does not see any issues in obtaining the listing of Notes on ASX. However, if official quotation is not granted within 3 months after the date of this prospectus or any longer period permitted by law, then all application monies will be refunded without interest as soon as practicable.

A shareholding in Lakes Oil is held subject to its Constitution which is similar to those of other publicly listed no-liability companies and which states that the ASX Listing Rules prevail in the event of any inconsistency. In particular, shareholders are entitled to receive notices of and attend and vote at general meetings where they have one vote on a show of hands and one vote per ordinary share on a poll. Subject to the Constitution, the Corporations Act and the ASX Listing Rules, shares are freely transferable. Dividends are payable to shareholders in proportion to the shares held by them respectively. In a winding up, the liquidator may with the sanction of a special resolution of shareholders divide the assets of Lakes Oil amongst the shareholders and may determine how the division shall be carried out as between them. The Constitution may be inspected on Lakes Oil's website..

Offers of entitlements under this prospectus will not be made to shareholders with registered addresses outside Australia as the directors consider that it is unreasonable to do so having regard to the small number of such shareholders, the number and value of entitlements which would be offered to them and the cost of complying with the overseas legal and regulatory requirements. Lakes Oil will, instead, send such shareholders details of the issue with advice that this offer will not be made to them.

This prospectus does not constitute an offer in any jurisdiction where or to any person to whom it would not be lawful to make such an offer.

The Notes are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

This prospectus is dated 23 October 2012 and a copy of it has been lodged with the Australian Securities and Investments Commission (ASIC). The ASIC takes no responsibility as to the contents of this prospectus. No Notes will be issued on the basis of this prospectus later than 13 months after its date of issue.

Applicants may wish to access information about Lakes Oil through its website at [www.lakesoil.com.au](http://www.lakesoil.com.au), including information which is released after the lodgement date of this prospectus. This is a limited disclosure prospectus and does not purport to contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of Lakes Oil. For the purposes of section 713 of the Corporations Act and ASIC Class Order 00/195, Lakes Oil is a disclosing entity and hence is subject to regular reporting and continuous disclosure obligations. Information that is already in the public domain as a consequence has not been (and is not required to be) included in this prospectus. Copies of documents lodged with ASIC by or in relation to Lakes Oil may be obtained from or inspected at an ASIC office. Lakes Oil will provide a copy of each of the following documents free of charge to any person who requests them during the application period for this prospectus:

- the annual financial report of Lakes Oil for the year ended 30 June 2012; and
- any other continuous disclosure notices given by Lakes Oil to ASX after 22 October 2012 (being the date of lodgement with ASIC of Lakes Oil's 2012 annual financial report and before the lodgement of the copy of this prospectus with ASIC), namely:

Date	Description of Announcement
22 October 2012	Quarterly Activities and Cashflow Report September 2012
22 October 2012	Notice of Annual General Meeting

Computershare Investor Services Pty Limited has consented in writing to be named in this prospectus as the Note and Share registry for Lakes Oil. It has not authorised the issue of this prospectus and accordingly makes no representation regarding and takes no responsibility for any statements or information in or omissions from this prospectus. It is entitled to a fee based on its normal commercial terms for acting in that capacity.

The Trustee (The Trust Company (Australia) Limited) has consented in writing to be named in this prospectus as the trustee for holders of Notes and the Paying Trustee (The Trust Company Limited) has consented in writing to be named in this prospectus as the paying trustee for holders of Notes. The Trustee and Paying Trustee have not authorised the issue of this prospectus and accordingly make no representation regarding and take no responsibility for any statements or information in or omissions from this prospectus. The Trustee and the Paying Trustee are collectively entitled to a fee of \$50,000 per annum for each of the 2 years they act in those capacities.

A distribution statement in an approved form will be provided to holders of Notes setting out the extent to which any interest has been franked although no franking is anticipated (given that the Notes are equity interests for Australian tax purposes.)

## 11. DIRECTORS' INTERESTS

Mr Annells and companies associated with him received fees and benefits totalling approximately \$295,000 for providing Mr Annells' consulting and professional services to Lakes Oil for each of the year ended 30 June 2012 (\$445,000 for the previous year).

The other directors each received directors' fees and benefits totalling approximately \$50,000 for each of the years ended 30 June 2012 and the previous year (pro-rated for less than a full year's service).

As at the date of this prospectus, the directors held the following interests in the share capital of Lakes Oil:

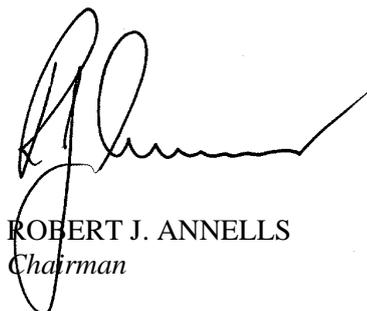
Director	Number of Fully Paid Shares	Number of Partly Paid Shares
R J Annells	97,237,259	75,000,000
P B Lawrence	42,000,000	25,000,000
J H Y Syme	4,172,771	25,000,000
B I Berold	30,172,778	25,000,000
N Mather	Nil	Nil
W Stubbs	6,000,000	Nil

## 12. STATEMENT BY DIRECTORS

After making due enquiry in relation to the interval between 30 June 2012, being the date to which the most recent statement of financial position contained in this prospectus was made up, and the lodgement date of this prospectus, the directors have not become aware of:

- (a) any circumstances other than those referred to in this prospectus which in the opinion of the directors have materially affected or will materially affect the trading or profitability of Lakes Oil or the value of its assets; or
- (b) any contingent liability of Lakes Oil other than those which has arisen through the normal course of business.

Each director has consented to the issue of this prospectus in the form and context in which it is issued.



ROBERT J. ANNELLS  
*Chairman*

### 13. DEFINITIONS

In this prospectus the following definitions apply:

\$	Australian dollars, exclusive of GST
30 Day Average Closing Share Price	the average closing price of the Shares on ASX on the 30 Business Days prior to the Maturity Date where sales were recorded
Business Day	a day on which banks are open for business in Melbourne, other than a Saturday, a Sunday or a public holiday
Interest Payment Date	31 May 2013, 30 November 2013, 31 May 2014 and 30 November 2014
Lakes Oil	Lakes Oil NL (ABN 62 004 247 214), and where the context requires includes its wholly owned subsidiaries
Maturity Date	30 November 2014
Notes	listed unsecured converting notes in Lakes Oil
Paying Trustee	The Trust Company Limited
Shares	fully paid ordinary shares in the capital of Lakes Oil
Trust Deed	the trust deed dated 22 October 2012 between Lakes Oil and the Trustee
Trustee	The Trust Company (Australia) Limited
Uplift Factor	0.20 cents divided by the 30 Day Average Closing Share Price prior to the Maturity Date, with a minimum 30 Day Average Closing Share Price of 0.15 cents. The Uplift Factor only applies where the 30 Day Average Closing Share Price prior to the Maturity Date is less than 0.20 cents.

## ANNEXURE A: CONDITIONS OF ISSUE OF NOTES

The following are the conditions of issue of the Notes, which forms part of the Trust Deed as described above:

### 1 Definitions

**30 Day Average Closing Share Price** means the average closing price of the Shares on ASX on the 30 Business Days prior to the Maturity Date where sales were recorded.

**ASX** means ASX Limited or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

**ASX Settlement** means ASX Settlement Pty Ltd, the body which administers the CHESS system in Australia.

**ASX Settlement Operating Rules** means the settlement operating rules of ASX Settlement.

**Business Day** means a day on which Banks are open for business in Melbourne other than a Saturday, a Sunday or a public holiday.

**Change in Control Conversion Date** has the meaning given in Condition 3.4.

**Change in Control Event** has the meaning given in Condition 3.4.

**Company** means Lakes Oil NL ABN 62 004 247 214.

**Conversion** means the conversion of a Note by exercise of the Conversion Right attached to the Note.

**Conversion Date** means subject to Condition 3.14 the earlier of:

- (a) the Maturity Date;
- (b) the Early Conversion Date; or
- (c) the Change in Control Conversion Date.

**Conversion Rate** means the rate of Conversion of each Note into Shares on:

- (a) a 5,000 Share to 1 Note basis (the ratio being based on a conversion price of 0.20 cents per Share); or
- (b) a 5,000 Share to 1 Note basis multiplied by the Uplift Factor (the ratio being based on a conversion price of between 0.15 and 0.20 cents per Share) where the 30 Day Average Closing Share Price prior to the Maturity Date is less than 0.20 cents (rounded upwards to the nearest Share in the case of fractions),

subject to any adjustment of the rate pursuant to Condition 3.6.

**Conversion Right** means the right to convert a Note to 5,000 Shares in accordance with these conditions.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Early Conversion Date** means any of 31 May 2013, 30 November 2013 or 31 May 2014.

**Interest Payment Date** means 31 May 2013, 30 November 2013, 31 May 2014 and 30 November 2014.

**Interest Payment Amount** means 50 cents per Note.

**Issue Date** means the date of issue of the Notes.

**Listing Rules** means the ASX Listing Rules.

**Maturity Date** means 30 November 2014.

**Notes** means, at any time, so many of these converting notes created and issued by the Company under these Conditions of Issue as are outstanding up to a maximum value of \$7,200,000.

**Note Holder or holder of Notes** means, in relation to any of the Notes at any time, the person registered in the Register as the holder of those Notes.

**Paying Trustee** means The Trust Company Limited ABN 59 004 027 749.

**Paying Trustee Agreement** means the Paying Trustee Agreement dated 22 October 2012 between the Company, the Trustee in its capacity as trustee for the holders of the Notes and the Paying Trustee in its capacity as paying trustee for the holders of the Notes.

**Shares** means fully paid ordinary shares in the capital of the Company.

**Trust Deed** means the trust deed dated 22 October 2012 between the Company and the Trustee setting out further rights and obligations of the Company, the Trustee and Note Holders.

**Trustee** means The Trust Company (Australia) Limited ABN 21 000 000 993 or such other entity appointed as trustee pursuant to the Trust Deed from time to time.

**Uplift Factor** means 0.20 cents divided by the 30 Day Average Share Price prior to the Maturity Date, with a minimum 30 Day Average Share Price of 0.15 cents.

## **2 General Terms of Issue**

### **Terms of Issue**

2.1 Each of the Notes shall:

- (a) have an issue price of \$10;
- (b) be paid for in full on application;
- (c) subject to Condition 1.3.6, convert in the manner and at the times provided by Condition 3 into Shares at the Conversion Rate;
- (d) bear interest on the basis set out in Condition 4 (provided that the interest ceases to be payable from the Conversion Date); and
- (e) be initially quoted on ASX, and subject to Condition 3.4 the Company will use its best endeavours to maintain the listing of Notes (as a class) on ASX until the Maturity Date.

### **Status**

2.2 The Notes:

- (a) constitute unsecured obligations of the Company;
- (b) confer contractual rights on the Note Holders as set out in these Conditions and the Trust Deed;
- (c) do not (until Conversion) confer on Note Holders any right as a member or shareholder of the Company, including voting rights; and
- (d) confer on Note Holders a right to be given copies of all documents sent by the Company to shareholders (whether in connection with a general meeting of Shareholders or otherwise).

2.3 Each Note Holder by accepting an issue of Notes:

- (a) agrees to be bound by these Conditions and the provisions of the Trust Deed; and

- (b) acknowledges that it has contractual rights against the Company as set out in these conditions but that the Notes do not (until Conversion) confer any right as a member of the Company.

### 3 Conversion

#### Conversion Right

- 3.1 Each Note Holder has the right to elect to convert the Notes early by giving written notice to the Company before an Early Conversion Date. Any Notes the subject of early Conversion will be the subject of a Share issue at the Conversion Rate within 10 Business Days of the Early Conversion Date, when final payment of interest up to the Early Conversion Date will be made.
- 3.2 Where a Note Holder elects to convert only part of its holding of Notes, the Note Holder must convert 50 Notes or an integral multiple of 50 Notes.
- 3.3 Any Notes which have not converted by the Maturity Date will automatically convert on that date.

#### Early Conversion – Change of Control

- 3.4 There will be automatic early Conversion in the event that:
- (a) a takeover bid within the meaning of the Corporations Act is made for the Shares and the bidder acquires a relevant interest in 50% of the Company's Shares and the bid is declared unconditional; or
  - (b) a court orders a meeting to be held in relation to a proposed scheme of arrangement in relation to the Company the effect of which is that a person will acquire a relevant interest in at least 90% of the Shares in the Company and the Company's shareholders pass the resolution by the requisite majorities,

(each a "*Change in Control Event*"), with the Conversion to occur within 10 Business Days after the relevant Change in Control Event occurs (the *Change in Control Conversion Date*) together with the final payment of interest based on the rate of 10% per annum calculated on a daily basis for the period from the most recent Interest Payment Date to the Change in Control Conversion Date.

#### Right to participate in new issues of ordinary shares

- 3.5 Note Holders are entitled to participate in future issues of Shares prior to Conversion on the same basis as shareholders as though Conversion had taken place (without any Uplift Factor applying).

#### Adjustment of Conversion Rate

- 3.6 If the Company reorganises its capital, the Conversion Rate or the conversion price or both will be adjusted in accordance with the Listing Rules applicable at the time of the reorganisation, and so that Note Holders will not receive a benefit that holders of Shares do not receive. Unless the Listing Rules require otherwise, the Conversion Rate must be adjusted as follows:
- (a) **Reduction in capital:** If the issued capital of the Company is reduced, the entitlement of a Note Holder to convert its Notes to Shares at the Conversion Rate will be reduced in the same proportion and manner as the issued capital is so reduced (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the reduction of capital) but in all other respects the Conversion Rights will remain unchanged;
  - (b) **Consolidation of capital:** If the issued capital of the Company is consolidated, the entitlement of a Note Holder to convert its Notes to Shares at the Conversion Rate will be reduced in the same proportion and manner as the issued capital is so consolidated (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the consolidation of capital) but in all other respects the Conversion Rights will remain unchanged; and

- (c) **Subdivision of Capital:** If the issued capital of the Company is subdivided, the entitlement of a Note Holder to convert its Notes to Shares at the Conversion Rate will be increased in the same proportion and manner as the issued capital is so subdivided (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the subdivision of capital) but in all other respects the Conversion Rights will remain unchanged.

### Conversion to Shares

- 3.7 The Company covenants with each Note Holder that it will issue Shares for the Notes in respect of which Note Holders have elected to exercise Conversion Rights, at the Conversion Rate on the relevant Conversion Date (as applicable).
- 3.8 Upon the exercise of a Conversion Right in respect of a Note, the Note Holder will be deemed to have applied for such number of Shares as will be issued upon the conversion of those Notes at the Conversion Rate.
- 3.9 All Shares issued upon conversion of Notes will rank in all respects equally with the then existing Shares of the Company and will rank for dividends declared by the Company on its Shares after the Conversion Date of the Notes.
- 3.10 After the issue of such Shares, if the Company is listed on the ASX, the Company will apply for quotation of such Shares on the ASX to allow them to be traded.

### Costs of Conversion and listing

- 3.11 Except as otherwise stated in these Conditions, the Company will pay the expenses (but excluding any taxes or stamp duties for which the holders of Shares would ordinarily be liable) of the issue of, and all expenses of obtaining a listing for, Shares issued on Conversion.

### Conversion Right warranties

- 3.12 The Company must, whilst there are any Notes:
- (a) **Listing:** subject to Condition 3.4, use its best endeavours to:
- (i) maintain a listing for all the Shares on the ASX;
  - (ii) obtain and maintain a listing on the ASX for all the Shares issued on the exercise of any of the Conversion Rights;
  - (iii) obtain and maintain a listing for all the Shares issued on the exercise of any of the Conversion Rights on any other stock exchanges on which any other Shares are then listed; and
  - (iv) promptly give to the Note Holders notice of the delisting of the Shares (as a class) by the ASX, or any other stock exchange on which they are listed from time to time;
- (b) **Conversion to ordinary shares:** ensure that all Shares issued upon Conversion will be duly and validly issued, fully paid and registered in the name of the Note Holder.
- (c) **Consents:** use its best endeavours to obtain, as and when required, and having once obtained, maintain, all necessary governmental and regulatory consents to enable:
- (i) the Company to allot and issue the Shares to be issued upon conversion of the Notes; and
  - (ii) the Company to make all payments required to be made by it in respect of the Notes.

### Bound by Constitution

- 3.13 Each Note Holder acknowledges that on the issue of Shares on the exercise of the Conversion Right, the Note Holder will be bound by the Constitution of the Company in so far as it relates to Shares.

## Conversion on External Administration

- 3.14 Subject to Condition 3.18, if the Company becomes an externally-administered body corporate (within the meaning of the Corporations Act) and notwithstanding any other provision of these Conditions, there will be automatic early Conversion, with the Conversion to occur within 10 Business Days (and any other future entitlements to Conversion shall thereupon cease).

## Interest

- 3.15 The Notes will attract interest at each Interest Payment Date (which will be used for record date purposes), with interest payable at the Interest Payment Amount.
- 3.16 Interest will be payable by the Company within 10 Business Days of each Interest Payment Date (provided that interest ceases to be payable from any earlier date that Conversion occurs).
- 3.17 The Company will on the date of issue of any Notes deposit with the Paying Trustee an amount in excess of the estimated interest on the Notes in an interest account controlled by the Paying Trustee where such amounts will be held on trust for, and for the benefit of, the holders of Notes in accordance with the terms of the Paying Trustee Agreement.
- 3.18 If the Company becomes an externally-administered body corporate (within the meaning of the Corporations Act) and notwithstanding any other provision of these Conditions, all interest on the Notes which would potentially be payable in the future on any future Interest Payment Date will immediately become due and payable, and shall be paid in accordance with the Paying Trustee Agreement.

## 4 Title to Notes

- 4.1 Except as ordered by a court of competent jurisdiction or as required by law, the Company:
- (a) may treat the registered holder of any Note as the absolute owner (notwithstanding any notice of ownership or writing on the Note or any notice of previous loss or theft or of any trust or any other interest);
  - (b) is not required to obtain any proof of ownership and is not required to verify the identity of the registered holder; and
  - (c) is not required to recognise or give effect to any legal or equitable interest in any Note not entered on the Register notwithstanding that the Issuer may have actual or constructive notice thereof.

## 5 Transfer of Notes

- 5.1 The Notes are transferable at any time.
- 5.2 Subject to these Conditions and the Trust Deed and unless the Corporations Act, ASX Settlement Operating Rules or Listing Rules require otherwise, a Note Holder will be entitled to transfer their Notes or any part thereof by lodging with the Company at the address of the Register on which the Note Holder's Notes are for the time being recorded, a proper instrument of transfer duly stamped if necessary, executed by the transferor and executed by the transferee. No fee will be charged for the registration of a transfer.
- 5.3 The transferor shall be deemed to remain the owner of the Notes until the name of the transferee is entered in the Register in respect thereof.
- 5.4 Any person becoming entitled to Notes in consequence of the death or bankruptcy of any holder of such Notes, may, upon producing evidence or of the Note Holder's title as the Directors shall think sufficient, be registered as the holder of such Notes.

## 6 Non-Redeemable

- 6.1 The Notes are not redeemable in any circumstance by the Company.

## **7 Payment to Note Holders**

- 7.1 Any interest shall be paid in accordance with the Trust Deed.
- 7.2 If several persons are entered in the Register as joint holders of any Notes then without prejudice to the last preceding Condition, the payment to any one of such persons for any moneys payable on or in respect of such Notes shall be as effective a discharge to the Company as if the person to whom payment is made were the sole registered holder of such Notes.
- 7.3 The Company shall be entitled to deduct and withhold from any payment to be made to a Note Holder, any amount which the Company is required to deduct or withhold in respect of such payment under any applicable taxation or other law.

## **8 Notices**

- 8.1 A notice given to a Note Holder pursuant to a provision of these Conditions shall be in writing or electronic form and may be given to a Note Holder by being delivered to him by e-mail, facsimile, or posted in a pre-paid envelope and addressed to the address appearing in the register or to such other address as he has notified the Company in writing.
- 8.2 A notice given to any one of joint Note Holders is sufficient notice to all of those joint Note Holders.

## **9 Variation of Conditions**

- 9.1 These Conditions may be amended, varied, modified or added to in accordance with the terms set out in the Trust Deed.

## **10 Trustees Power to Enforce**

- 10.1 Without limiting the rights and discretion of the Trustee under the Trust Deed, the Trustee may at its discretion and without further notice institute such proceedings against the Company as it may think fit to enforce any obligation, condition or provision binding on the Company under the Trust Deed and these Conditions.

## **11 Conditions Binding on Parties and Successors**

- 11.1 These Conditions and the provisions of the Trust Deed shall be binding on the Company, the Trustee and the Note Holders and all persons claiming through or under them respectively.



# LAKES OIL N.L.

(ABN 62 004 247 214)

## For all enquiries:

Phone:



(within Australia) 1300 850 505

(outside Australia) 61 3 9415 4000



000001 000 LKO  
MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

## Make your payment:



See over for details of the Offer and how to make your payment

## Non-Renounceable Entitlement Offer — Entitlement and Acceptance Form

**Your payment must be received by 5.00pm (AEDT) on Monday 3 December 2012.**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

### Step 1: Registration Name

Please check the details provided and update your address via [www.investorcentre.com](http://www.investorcentre.com) if any of the details are incorrect. If you have a CHESS sponsored holding, please contact your controlling participant to notify a change of address.

### Step 2: Accept your Entitlement

You can apply to accept either all or part of your Entitlement. Enter the number of Notes you wish to apply for and the amount of payment for those Notes.

### Step 3: Additional Notes Applied for

Enter the number of Additional Notes you wish to apply for (if any) under the Shortfall Offer. No Eligible Shareholder is assured of receiving any Additional Notes applied for in excess of their Entitlement and any amount by which applications from Eligible Shareholders exceed their Entitlements may be scaled back at the Company's discretion.

### Step 4: Make Your Payment

By making your payment you confirm that you agree to all the terms and conditions as detailed in the Prospectus dated xx October 2012.

Choose one of the payment methods shown below.

**Credit Card:** Visa and Mastercard are the only cards that can be used to support this acceptance. Complete the 'Payment by Credit Card' section below by indicating the type of card with a tick in the appropriate box. Be sure to show the name and numbers exactly as shown on the card. The CCV number is found on the signature strip of the reverse of the credit card. Only the last three numbers are required.

**BPAY:** See overleaf. Do not return the payment slip below with your BPAY payment. Simply enter the reference number shown over the page at step 4 and your details are recorded electronically. If you wish to apply for Additional Notes, simply transfer the total funds corresponding to your Entitlement and to the number of Additional Notes applied for.

**By Mail:** Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to "Lakes Oil NL - Notes Offer" and crossed "Not Negotiable". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt. Receipts will not be provided. Funds cannot be debited directly from your account. Entering your contact details is not compulsory, but will assist us if we need to contact you

**Turn over for details of the Offer →**

## Payment by Credit Card

**STEP 2** Entitlement taken up (Minimum 50 Notes)

**STEP 3** Number of Additional Notes Applied for:

Total Notes Applied for:

**STEP 4** Amount enclosed at A\$10 per Note (Minimum \$500)

Note: Only Mastercard and Visa are accepted  Mastercard  Visa

Card Number

Card Holder Name  Expiry Date

Signature  CCV Number

Lakes Oil NL Non-Renounceable Entitlement Offer

© Registered to BPAY Pty Ltd ABN 69 079 137 518

# Entitlement and Acceptance Form with Additional Shares

X 9999999991

I ND

## STEP 1 Registration Name & Offer Details

 For your security keep your SRN/  
HIN confidential.

**Registration Name:** MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

Entitlement No: 00005856

**Offer Details:** Existing shares entitled to participate as at  
7.00pm (AEDT) on 31 October 2012:

4,000

Entitlement to Notes on a 1 for 10,000 basis  
(with a minimum subscription and entitlement of 50 Notes)

50

Amount payable on acceptance of full entitlement at A\$10 per Note:  
Minimum \$500 entitlement

\$500

## STEP 4 Make Your Payment



Billers Code: 123456  
Ref No: 1234 5678 9123 4567 89

### Pay by Mail:



Make your cheque or bank draft payable to "Lakes Oil NL - Offer A/C" and  
crossed 'Not Negotiable'.

Return your cheque with the payment slip below to:  
**Computershare Investor Services Pty Limited**  
GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your payment  
from your cheque or savings account.

Applicants should be aware that their own financial  
institution may implement earlier cut off times with  
regards to electronic payment, and should therefore take  
this into consideration when making payment. It is the  
responsibility of the applicant to ensure that funds  
submitted through **B PAY** are received by 5.00pm (AEDT)  
on 3 December 2012.

Neither Computershare Investor Services Pty Limited ("**CIS**") nor the Company accepts any responsibility if you lodge the slip below at any other address or  
by any other means.

### Privacy Statement

Personal information is collected on this form by CIS as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of  
shareholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related  
bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your  
personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with  
the Corporations Act 2001(Cth), you may be sent material (including marketing material) approved by the issuer in addition to general corporate  
communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email  
privacy@computershare.com.au

## Lakes Oil NL Acceptance Payment Details - Payment must be received by 5.00pm (AEDT) on 3 December 2012

### STEP 2

Entitlement taken up:  
(Minimum 50 Notes)

--	--	--	--	--	--	--	--	--	--

### STEP 3

Number of Additional Notes  
applied for:

--	--	--	--	--	--	--	--	--	--

Total Notes applied for:

--	--	--	--	--	--	--	--	--	--

Amount enclosed at A\$10 per  
Note (Minimum \$500)

**A\$**

--	--	--	--	--	--	--	--	--	--



Entitlement No: 00005856

MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

## Contact Details

Contact  
Name \_\_\_\_\_

Daytime

Telephone \_\_\_\_\_

## Cheque Details

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

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A\$
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123456789123456789+0000000001-3051+14