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Lakes Oil N.L.

**ASX
Announcement
and
Media Release
11 October 2017**

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ASX Announcement

Proposal to Victorian Government

The Board of Directors of Lakes Oil NL (**Lakes Oil**, ASX: LKO) is pleased to advise that the Company has made a formal offer to the Victorian Minister for Resources presenting an opportunity for Government to work cooperatively with Lakes Oil to address the exploration ban currently in place.

Important features of the Lakes Oil's offer to Government, which are provided as a package, are:

- Lakes Oil will work within the parameters of the state's existing petroleum legislation, as recently amended by Government, and will not engage in unconventional gas exploration.
- Lakes Oil will seek confirmation from the Government that it may satisfy its work programme commitments on its conventional gas exploration targets on the basis that these commitments are not subject to the current exploration ban.
- Lakes Oil will, in consultation with Government, be permitted to drill the Wombat-5, Otway-1, Greenslopes-2 and Portland Energy-1 wells to test the existence of commercial volumes of conventional gas.
- Lakes Oil will commit to supplying gas to Victorian consumers and industry as a first priority.
- Lakes Oil will commit to payment of a proportion of gas sales revenue to landowners upon whose land, and to communities within which, gas production activities are carried out.
- In order that production of gas from resources that are confirmed by Lakes Oil can be expedited, the Government provide an at cost loan for a mutually agreeable amount to Lakes Oil. The loan will be secured by proceeds from the sale of gas, so the loan will be low risk from the perspective of Government subject to commercial production being achieved.
- Lakes Oil will relinquish its sensitive surf-coast exploration permit, PEP163, subject to agreement on consideration.

Mr Chris Tonkin, Chairman of Lakes Oil, said "This is an exceptional opportunity for Victoria to seek to address the gas supply problems that are affecting the state, and to resolve the current litigation proceedings."

Chris Tonkin
*Chairman
Lakes Oil NL
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