



A.C.N. 004 247 214

Lakes Oil N.L.

Quarterly Activities Report

For the three months ended
30 June 2009

Registered Office:
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CORPORATE INFORMATION

Directors

Robert J. Annells CPA, F.Fin (*Executive Chairman*)
Barney I Berold BCom, MBA
Peter B. Lawrence BCom, MBA, FCPA
James H. Y. Syme LLB

Company Secretary

Raymond E South FCA, FCIS, FCPA

Chief Financial Officer

Vicki Kahanoff BBus CPA

Registered Office

Level 14
500 Collins Street
Melbourne Victoria 3000

Telephone: (03) 9629 1566

Facsimile: (03) 9629 1624

Stock Exchange

Australian Stock Exchange Limited
Level 3 / 530 Collins Street
Melbourne Victoria 3000
ASX code: LKO

Auditors

Pitcher Partners
Level 19 / 15 William Street
Melbourne Victoria 3000

Bankers

Westpac Banking Corporation
360 Collins Street
Melbourne Victoria 3000

Technical Staff and Consultants

Ingrid Campbell RMIT (Geol), MPESA, MGSA
Xiaowen Sun BSc (Hons), MSc PhD MAAPG
Guy Holdgate BSc (Hons), PhD

Address for Correspondence

P.O. Box 300
Collins Street West
Victoria 8007

Email: lakes@lakesoil.com.au

Web site: www.lakesoil.com.au

Legal Advisors

Baker & McKenzie
Rialto
Level 39 / 525 Collins Street
Melbourne Victoria 3000

Share Registry

Computershare Investor Services Pty. Ltd.
Yarra Falls 452 Johnston Street
Abbotsford Victoria 3067

The company operates a web site which directors encourage you to access for the most recent information on the Lakes Oil Group.



CORPORATE DEVELOPMENTS

Lakes Oil N.L.'s Capital Raising

On 18 June 2009 the Company placed 200,000,000 fully paid ordinary shares via Patersons Securities Limited. The issue, at 0.5 cents per share, raised \$1,000,000 before brokerage. The purpose of the placement was to raise additional funds for the current work programs on Wombat 3, North Seaspray 3 and Wombat 2.

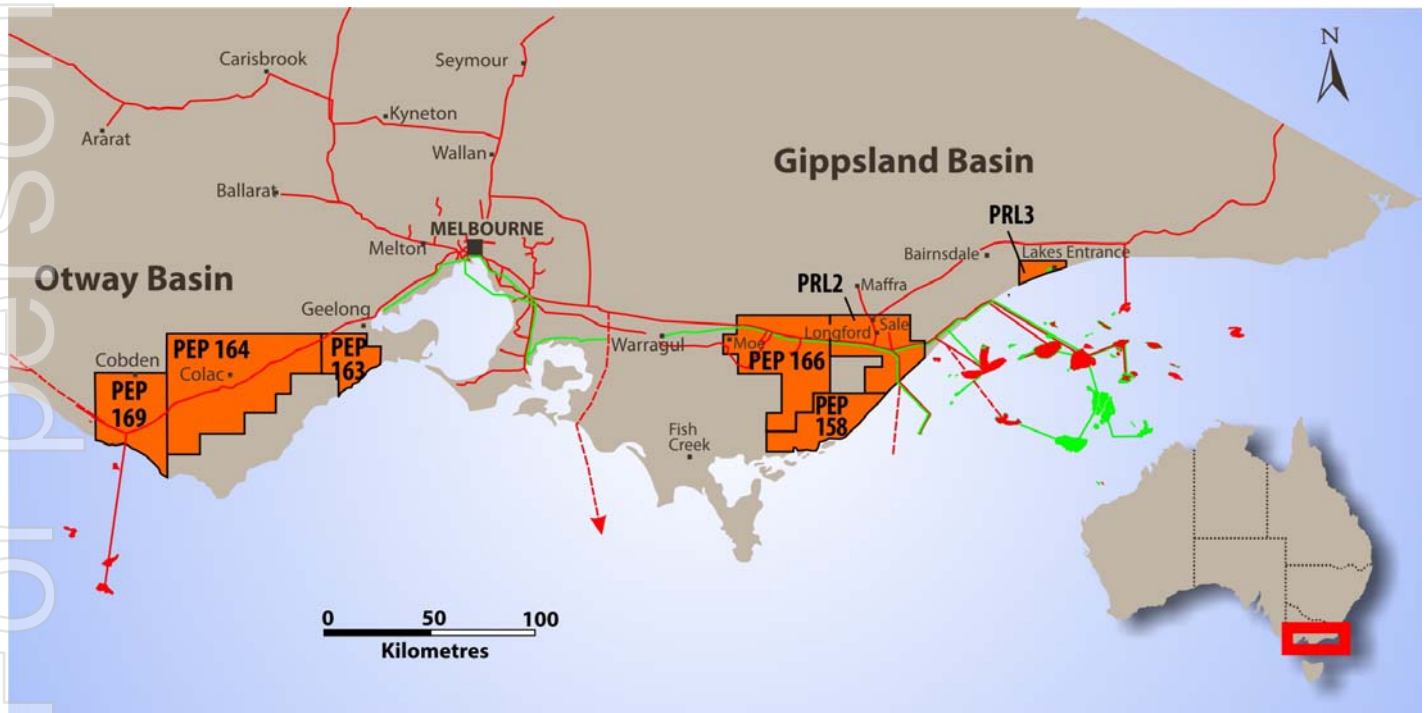
At the time of writing the Company has announced a one for four rights issue at 1 cent per share, to be used to fund the drilling of the proposed Wombat 4 well and for other ongoing exploration purposes. If fully subscribed, the issue will raise approximately \$11 million. It is underwritten to \$3 million.

The Greater Trifon Field Resource

Lakes Oil N.L. commissioned an independent technical assessment of the Trifon, Gangell and Seaspray accumulations by Gaffney, Cline and Associates during this period.

Estimates for the Greater Trifon Field which includes Trifon, Gangell, and Seaspray accumulations, along with our previously reported 2C contingent recoverable resources of 293 bcf for the Wombat Field will give us a total 2C contingent recoverable resource of 683 bcf. This total reflects results only from the southern fields in PRL2.

Lakes Oil N.L. believes that these are major new Victorian gas resources with negligible carbon dioxide content. We also believe these resources will provide an excellent natural gas fuel for electricity generation.



Lakes Oil's Victorian Permits



EXPLORATION ACTIVITIES

CURRENT FIELD OPERATIONS

Our corporate developments in this period include the implementation of field operations program in PRL 2 that we believe will see us moving towards commerciality of tight gas in the Wombat Field.

Three wells in PRL 2 (Wombat 2, Wombat 3 and North Seaspray 3) were selected for a workover program with the objective of achieving potentially commercial gas flows from an existing gas zone in wells that have previously been fracture stimulated.

Results so far have been encouraging with: 1) the recovery and flowing of live Strzelecki oil into the wellbore in Wombat 3; 2) increased gas flows and decreased frac fluid clean-out from the re-fracturing operation in Wombat 2 and; 3) continued clean-out of frac fluid and increased condensate flow in North Seaspray 3.

Clean-out operations are continuing in order to obtain a sustained commercial gas flow rate in the Wombat Field in Wombat 2, in particular.

We believe this program provides us with the maximum potential for unimpeded commercial hydrocarbon flows to be achieved, without incurring the levels of costs that would be associated with drilling and fracturing a new well.

Overall, the company believes that the program has been successful in providing increased gas rates and flow data from one known hydrocarbon bearing zone in each of the 3 wells.

ONSHORE GIPPSLAND BASIN

PRL 2

(Lakes Oil Group, Operator: 100% interest)

Field Operations

In early April, 2009 an initial flow test was conducted in North Seaspray 3 well to test the wellhead pressures and initial flow rates in preparation for extended flow testing to be conducted later in the quarter.

2009 Workover Program

An extended work over and testing program in PRL 2 was conducted between 10 June to late

July in three key wells. Clean out operations are continuing at this date.

Results of the program to date are summarised below:

Wombat 2: following successful re-fracturing of the 1,470m gas zone which placed approx. 178,000 lbs of proppant into the formation, the well continues to flow back fracking fluid, gas and condensate to the surface. A maximum flow rate was recorded at 4.3 mmcfd which decreased to approx. 1.3 mmcfd through a 1/2" choke as the frac fluid built up in the wellbore. The flow is intermittent due to the opening and shutting in of the well to allow sufficient pressure build up to clear the well bore of the frac fluids.

The well bore pressure builds up rapidly during each shut-in operation, indicating that there is good communication between the well bore and the formation, confirming the effectiveness of the re-fracturing.



Wombat 2: gas flare during clean up operations in July 2009



BJ frac pumping trucks on site at Wombat 2 in June 2009



EXPLORATION ACTIVITIES

Wombat 3: the well was re-entered using coiled tubing in order to flow test the oil zone at 2,106m and gas zone at 1,430m depth, which were fracture stimulated in 2005.

On 19 June 2009, oil flowed freely into the wellbore from the 2,106m zone after removal of some 50m of frac sand which was blocking the flow of gas and fluids from the perforations.

The technical team is currently evaluating the most effective method of testing the oil flow.

This oil is the first non-biodegraded oil flow recorded anywhere in the onshore or offshore Gippsland Basin emanating from the Strzelecki Group. It was previously analysed as light waxy crude, similar to offshore oil recovered in the Latrobe Group. The new samples appear to be the same and have been sent for analysis.

North Seaspray 3: the well was re-entered using coiled tubing unit. Flow-back operations began in mid-July. It appears that the original hydraulic fracture carried out in 2005 may have penetrated upwards into the Latrobe Group aquifer, causing water to enter the wellbore. Operations at the well have been temporarily suspended in order to evaluate the results to date.

Additional Independent Assessments in PRL 2
Gaffney, Cline & Associates have released their independent review of the gas potential of the

Greater Trifon Field incorporating the Trifon, Gangell and Seaspray structures in PRL 2.

The Greater Trifon Field estimate of 390 bcf along with our previously reported 293 bcf for the Wombat Field gives a total 2C contingent resource of 683 bcf for these two areas. This total reflects results only from the southern fields in PRL 2.

TRIFON, GANGELL AND NORTH SEASPRAY ACCUMULATIONS SUMMARY OF GAS INITIALLY IN-PLACE AND CONTINGENT GAS RESOURCES

	GIIP		
	P90	P50	P10
Gas Initially In-Place (GIIP) (Bscf)	293	922	1,237
	Contingent Gas Resources (Gross 100% Interest)		
	1C	2C	3C
Estimated Ultimate Recovery (EUR) (Bscf)	126	390	526

Notes:

1. Natural gas volumes represent expected gas sales, and are reported in billions (10⁹) of cubic feet (Bscf) at standard conditions of 14.7 psia and 60° Fahrenheit.
2. Volumes reported are gross (100%) interest for the field area.
3. The volumes reported in this table have not been reduced for non-hydrocarbon gas (CO₂, N₂) content, which together average less than 4%.
4. 1C, 2C, 3C are equivalent to P90, P50, P10 estimates utilizing a probabilistic methodology.

Proposed Field Operations

Wombat 4:

Lakes Oil N.L. has secured a rig and is planning to drill Wombat 4 in the next period to test the up-structure potential of the Strzelecki Group located on a structural high about 1.5km to the south-west of Wombat 2. The 2008 3D seismic mapping across the Wombat Field identified a possible 50-80m of additional up-dip potential at top Strzelecki level at the proposed well location.

Planning and preparation for Wombat 4 drilling is currently underway. The drilling of Wombat 4 is planned for late September 2009 subject to all necessary approvals, being in place.

PRL 3

(Lakes Oil Group, Operator: 100% interest)

Discussions are continuing with landowners and no further activities have taken place in this permit.

A comprehensive mapping project continued combining all historical and recent oil company data into a single data base with the aim of constructing a composite model of the Lakes Entrance oil field that will assist in future mapping and developments in the area.

PEP 158

(Lakes Oil Group, Operator: 100% interest)

Since supplying additional technical data in support of our retention lease application in the last period, no further developments have occurred.

PEP 166

(Lakes Oil Group, Operator 100% interest)

A regional mapping project across the Latrobe Valley has been conducted using all available well, seismic and other geophysical, data including the extensive Latrobe Valley coal bore datasets. This study, together with additional work being done by consultants focusing on tectonic modelling of our onshore Gippsland Basin areas, will assist in the understanding of the regional basement trends and



EXPLORATION ACTIVITIES

the tectonic history of the onshore Gippsland Basin.

Additional planning for a magneto-telluric survey across the Latrobe Valley region continued with the aim of imaging base Strzelecki/basement topography and providing a better understanding of the structure and geometry of the basin. This survey is planned for later in 2009 after required approvals have been granted.

PRL 3

(Lakes Oil Group, Operator: 100% interest)

Discussions are continuing with landowners and no further activities have taken place in this permit.

A comprehensive mapping project continued combining all historical and recent oil company data into a single data base with the aim of constructing a composite model of the Lakes Entrance oil field that will assist in future mapping and developments in the area.

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(Lakes Oil Group, Operator: 100% interest)

Since supplying additional technical data in support of our retention lease application in the last period, no further developments have occurred.

PEP 166

(Lakes Oil Group, Operator 100% interest)

A regional mapping project across the Latrobe Valley has been conducted using all available well, seismic and other geophysical, data including the extensive Latrobe Valley coal bore datasets. This study, together with additional work being done by consultants focusing on tectonic modelling of our onshore Gippsland Basin areas, will assist in the understanding of the regional basement trends and the tectonic history of the onshore Gippsland Basin.

Additional planning for a magneto-telluric survey across the Latrobe Valley region continued with the aim of imaging base Strzelecki/basement topography and providing a better understanding of the structure and geometry of the basin. This survey is planned for later in 2009 after required approvals have been granted.

ONSHORE OTWAY BASIN VICTORIA

PEP 163

(Lakes Oil Group, Operator: 100% interest)

Evaluation of potential Lower Cretaceous tight gas prospects in the permit is continuing. Several prospects have been identified and will be further evaluated. A magneto-telluric survey is being prepared to complement the existing seismic data and provide better depth imaging in the area. Timing for this survey will be co-ordinated with proposed work to be done in PEP 164 in the Otway Basin.

PEP 164

(Lakes Oil Group, Operator: 100% interest)

Term 2 renewal of the permit which required a 50% drop of acreage was granted during this period. The work program requires the drilling of a well in the second year. Detailed seismic and geological mapping will form part of the first year of the work program.

PEP 169

(Lakes Oil Group, Operator: 100% interest)

Detailed seismic mapping of conventional structural plays in Late Cretaceous reservoirs continued and at least 5 new structural prospects have now been identified in the south and southwest of the permit.

This block contains significant potential for hydrocarbons, located as it is within and around the flanks of the Port Campbell Embayment and on the northern limit of the Shipwreck Trough, with successful testing of the Late Cretaceous Waarre Formation.

In addition to the Waarre targets, several secondary targets have been mapped in the Tertiary Pebble Point Formation and Early Cretaceous Eumeralla Formation which occur at relatively shallow depths. The secondary targets are still being evaluated as there is less drilling control data in this area. Discussions with potential joint venture partners are continuing.



EXPLORATION ACTIVITIES

EROMANGA BASIN - Queensland

ATP 560P – McIVOR BLOCK

(Lakes Oil Group: 50% interest, Operator: Victoria Petroleum N.L.)

This permit is being re-evaluated in the context of coal seam gas potential.

ATP 560P – UELEVEN BLOCK

(Lakes Oil Group: 25% interest; Operator: Icon Oil N.L.)

This permit is being re-evaluated in the context of coal seam gas potential.

NEW ZEALAND – North Island

(Lakes Oil Group: 100% interest, Operator)

PEP 38350

Due to the current global financial downturn, this frontier permit was relinquished in order to focus on Lakes Oil N.L.'s tight gas acreage in Victoria.

Signed on behalf of Lakes Oil N.L.

A handwritten signature in black ink that reads 'I. B. Campbell.' The signature is written in a cursive, flowing style.

**Ingrid Campbell
Chief Geologist**

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

LAKES OIL N.L.

ABN

62 004 247 214

Quarter ended ("current quarter")

30 JUNE 2009

Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (9 months) \$A '000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for: (a) exploration and evaluation	(324)	(1,497)
(b) development	-	-
(c) production	-	-
(d) administration	(646)	(2,852)
(e) capital raising costs	-	(25)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	38	166
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 (a) Net movement in GST suspense account	4	3
Net operating cash flows	(928)	(4,205)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(125)
(c) other fixed assets	(6)	(329)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	4,969
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Debtors	(7)	(33)
Net investing cash flows	(13)	4,482
1.13 Total operating & investing cash flows (carried forward)	(941)	277

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 MARCH 2009

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating & investing cash flows (brought forward)	(941)	277
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	1,000	1,000
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Farm-in/Joint Venture contributions	-	-
Net financing cash flows	1,000	1,000
Net increase (decrease) in cash held	59	1,277
1.20 Cash at beginning of quarter/year to date	4,912	3,694
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	4,971	4,971

**Payments to Directors of the entity and associates of the Directors;
Payments to related entities and associates of the related entities.**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	86
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
Directors fees : \$25,000	
Consulting and professional fees paid to a Director-related entity: \$61,250	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- None
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- None

Appendix 5B – Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 MARCH 2009

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements – Bank overdraft	-	-

Estimated cash outflows for next quarter

	\$ A'000
4.1 Exploration and evaluation	2,750
4.2 Development	-
Total	2,750

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$ A'000
5.1 Cash on hand and at bank (item 1.22)	4,971	4,912
5.2 Deposits at call	145	130
5.3 Bank overdraft	-	-
5.4 Investments in listed companies (market value)	1,178	1,872
Total: cash at end of quarter	6,294	6,914

Changes in interests in mining tenements

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

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 MARCH 2009

Issued and quoted securities at end of current quarter

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

	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-		
7.2 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	4,282,095,386	4,282,095,386		
7.4 Changes during quarter				
(a) Increases through issues	20,000,000	20,000,000	-	-
(b) Decrease through returns of capital, buy-backs	NIL	NIL		
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 MARCH 2009

7.7	Options			<i>Exercise price</i>	<i>Expiry date</i>
	<i>Directors</i>	19,500,000		7.14 cents	17 November 2009
		25,500,000	-	5 cents	17 November 2009
	<i>Staff</i>	3,400,000		7.14 cents	17 November 2009
		12,350,000		3 cents	17 November 2009
		6,000,000		5 cents	17 November 2009
		11,850,000		1.5 cents	9 January 2013
	<i>Third parties</i>	4,500,000		7.14 cents	17 November 2009
		19,500,000		5 cents	17 November 2009
		<u>500,000</u>		3 cents	17 November 2009
	TOTAL	103,100,000			
7.8	Issued during the quarter	-	-	-	-
7.9	Exercised during the quarter	-	-	-	-
7.10	Expired during the quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

Compliance statement

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

Sign here:



Date: 30 June 2009

Company Secretary

Print name:

Raymond South

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 MARCH 2009

- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022; *Accounting for Extractive Industries* and AASB 1026: *Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complies with.

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