



A.C.N. 004 247 214

Lakes Oil N.L.

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Quarterly Activities Report

For the three months ended
31 March 2010

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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

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

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
Level 19 CBW
181 William 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.

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RECENT DEVELOPMENTS

Corporate Announcements

Farm-in Agreement – Beach Energy Ltd – PRL2 , Gippsland Basin

The Company is about to enter a new chapter in its development of PRL 2, onshore Gippsland Basin with an announced partnership with Beach Energy Ltd (Beach).

The basis of the agreement is on a two stage entry:

Stage one

Beach will fund 100 per cent cost of flow and fracture tests in Wombat 4 and Boundary Creek 2 wells which have been drilled and cased ready for re-entry by Lakes Oil. Beach can earn up to 15 per cent interest in PRL2 by expenditure of \$10m in stage one. Should the expenditure not reach \$10m, the amount earned by Beach in PRL2 will be reduced pro-rata to the nearest percentage point. Beach will take over operatorship of these activities.

Stage two

Any monies not spent in stage one can be carried over into stage two. Stage two enables Beach at this point to increase its interest in PRL2 to a maximum of 50 per cent by the expenditure of up to a further \$40m, plus the balance of stage one. Again, in stage two, should expenditure not reach \$40m, then the interest earned will reduce proportionately to a lower level. The \$50m commitment by Beach is based on matching LKO's expenditure to date in PRL2, estimated to be approximately \$50m.

The board of Lakes Oil has accepted this offer which is now subject to due diligence and approval of Beach's board of directors.

Farm-In Agreement – Latrobe Fuels Limited – PEP166, Gippsland Basin

Lakes Oil (through its fully owned subsidiary Petro Tech Pty Ltd) has signed a farm-in and operating agreement with Latrobe Fuels Limited over a discrete area near Gormandale in Permit 166, onshore Gippsland Basin.

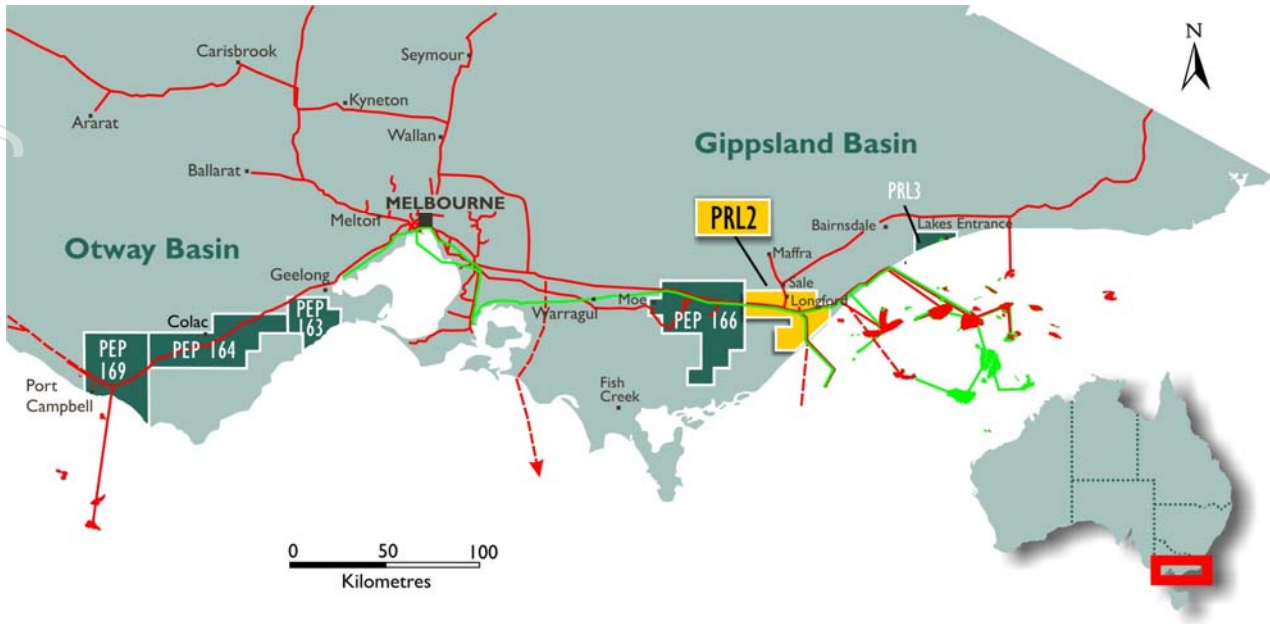
Under the terms of the agreement, Latrobe is required to drill, at its own cost, up to two wells to a total depth of 2,000 metres, or basement, whichever is reached first. Latrobe may acquire up to a 50% interest in the designated block. Drilling of the first well must commence by 31 December 2010.

Latrobe will also have first right of refusal over Petro Tech's share of any hydrocarbon production from the drilled well(s) at a pricing formula related to market rates. Latrobe is a Victorian based company formed to mine a brown coal deposit at Gormandale in the Latrobe Valley. Their intention is to process brown coal into a liquid fuel. Should the new joint venture be successful and discover gas in its joint area, the "methane" from the Strzelecki tight sands will substantially reduce Latrobe's operating cost by increasing the recovery in its process.

Lakes Oil successfully recovered gas in its nearby Loy Yang 2 well drilled in 2005/06, and the same Strzelecki tight gas sands will be targeted in these joint venture wells. This agreement is particularly beneficial for Lakes Oil shareholders as it allows the company to bring forward required exploration activities and provides further opportunity to prove the potential of its extensive tight gas reserves in its permits across Victoria.



EXPLORATION ACTIVITIES



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EXPLORATION ACTIVITIES

ONSHORE GIPPSLAND BASIN

PRL 2

(Lakes Oil Group, Operator: 100% interest) NB Under the recently announced farm-in agreement Beach Energy can earn up to a 50% interest in the area. Note that at time of report this agreement is subject to completion of due diligence and approval by Beach Energy's Board of Directors

Wombat 4: Evaluation continues

The Wombat 4 well was completed as a successful tight gas discovery well in the last quarter. The well reached a total depth of 2500 metres KB on 12th November 2009 and was later plugged and completed as a tight gas discovery well after wireline logging and drill stem testing was completed.

Both the Tertiary Latrobe Group and Cretaceous targets were intersected close to prediction based on the 3 D seismic interpretations and both target sections were hydrocarbon- saturated. The results of DST tests conducted in both Cretaceous and Tertiary reservoirs were summarised in the previous quarterly report. Evaluation of all results obtained from the well is continuing.

The Lakes Oil/ Beach Energy joint venture intends to re-enter the well and fracture stimulate several of the best zones later in the year, pending equipment availability and the necessary approvals.

Wombat 2: Workover Program

Monitoring of gas flow rates from Wombat 2 has currently been suspended due to hot, dry weather conditions. This will be resumed in the winter months in the next quarter.

PROPOSED FUTURE FIELD ACTIVITIES

The Company is planning to drill a well southwest of Wombat 4 to test a Tertiary Latrobe Group play up-dip from the Wombat 4 location, where intra-Latrobe liquid hydrocarbons were encountered in drill stem tests in a similar interval. This well was scheduled for the next quarter, pending rig availability and all necessary approvals. However, this may be delayed due to prioritisation of other PRL 2 activities.

Due to the current JV announcement in relation to PRL 2 activities, the planned workover program that was to be undertaken by Lakes Oil is now being re-assessed and prioritised.

PRL 3

(Lakes Oil Group, Operator: 100% interest)

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

Historical and recent oil company data have been compiled by our team 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, the Department of Primary Industries issued the Company with a final notice of refusal to grant a retention lease. This area has now been re-gazetted.



EXPLORATION ACTIVITIES

PEP 166

(Lakes Oil Group, Operator 100% interest) except for the LYG Block where Latrobe Fuels may earn up to 50% interest)

Lakes Oil Group completed a farm-in agreement with Latrobe Fuels over a discrete block around Gormandale in the Latrobe Valley in this period. Under the terms of the agreement, Latrobe is required to drill, at its own cost, up to two wells to a total depth of 2,000 metres, or basement, whichever is reached first. Latrobe may acquire up to a 50% interest in the designated block. Drilling of the first well targeting Strzelecki tight gas sands must commence by 31 December 2010. Lakes Oil technical team is providing the geological input required for the proposed drilling.

Additional planning continued for a magneto-telluric survey across the Latrobe Valley region with the aim of imaging base Strzelecki/basement topography. This survey is planned the next quarter and data will be shared with Greenerth Energy 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 (MT) 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 MT work to be done in PEP 166 in the Gippsland Basin.

PEP 164

(Lakes Oil Group, Operator: 100% interest)

Detailed seismic and geological mapping is continuing with the aim of providing several prospective tight gas targets in the Lower Cretaceous Eumeralla Group in the permit.

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. Final selection for a drilling site will be decided shortly as a well is required for the work program in the near future.

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.

EROMANGA BASIN - Queensland

ATP 560P – McIVOR BLOCK

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

Discussions are taking place which may see Lakes Oil exit from this permit.

ATP 560P – UELEVEN BLOCK

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



EXPLORATION ACTIVITIES

Discussions are taking place which may see Lakes Oil exit from this permit.

EAGLE OIL DEVELOPMENT PROJECT, CALIFORNIA.

There has been no further progress on acquiring seismic data over the prospect during this period. The joint venturers believe that new 3D coverage will provide better resolution of structuring at depth. Mary Bellochi 1 was drilled in 1986 and flowed oil at an initial rate of 223 barrels of oil per day and 0.9 million cubic feet of gas per day.

Signed on behalf of Lakes Oil N.L.

I. B. Campbell.

Ingrid Campbell
Chief Geologist

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 2010

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.13 Total operating & investing cash flows (brought forward)	(1,331)	(11,059)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	-	10,564
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	-	10,564
Net increase (decrease) in cash held	(1,331)	495
1.20 Cash at beginning of quarter/year to date	5,807	4,971
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	4,476	4,476

**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	251
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(\$40K); Consulting fees paid to a director related entity (\$211K)

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

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 2010

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	500
4.2 Development	-
Total	500

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)	4,476	5,807
5.2 Deposits at call	168	139
5.3 Bank overdraft	-	-
5.4 Investments in listed companies (market value)	1,773	2,877
Total: cash at end of quarter	6,417	8,823

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			

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 2010

6.2 Interests in mining tenements acquired or increased

Nil			
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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>	Nil	Nil		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3 +Ordinary securities	5,686,401,461	5,499,901,461		
7.4 Changes during quarter (a) Increases through issues (b) Decrease through returns of capital, buy-backs	150,000,000	0	.015 cent	.001 cent
7.5 +Convertible debt securities <i>(description)</i>	Nil	Nil		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A		

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 2010

7.7	Options	9,850,000	Nil	<i>Exercise price</i> \$0.015	<i>Expiry date</i> 9 January 2013
7.8	Issued during the quarter	Nil	Nil		
7.9	Exercised during the quarter	Nil	Nil		
7.10	Expired during the quarter	Nil	Nil		
7.11	Debentures <i>(totals only)</i>	Nil	Nil		
7.12	Unsecured notes <i>(totals only)</i>	Nil	Nil		

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:

Company Secretary

Date: 28 April 2010

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.

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 2010

- 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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