



A.C.N. 004 247 214

Lakes Oil N.L.

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Quarterly Activities Report

For the three months ended
30 June 2010

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

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

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
Tim O'Brien BSc MSc MPESA MSPE

Address for Correspondence

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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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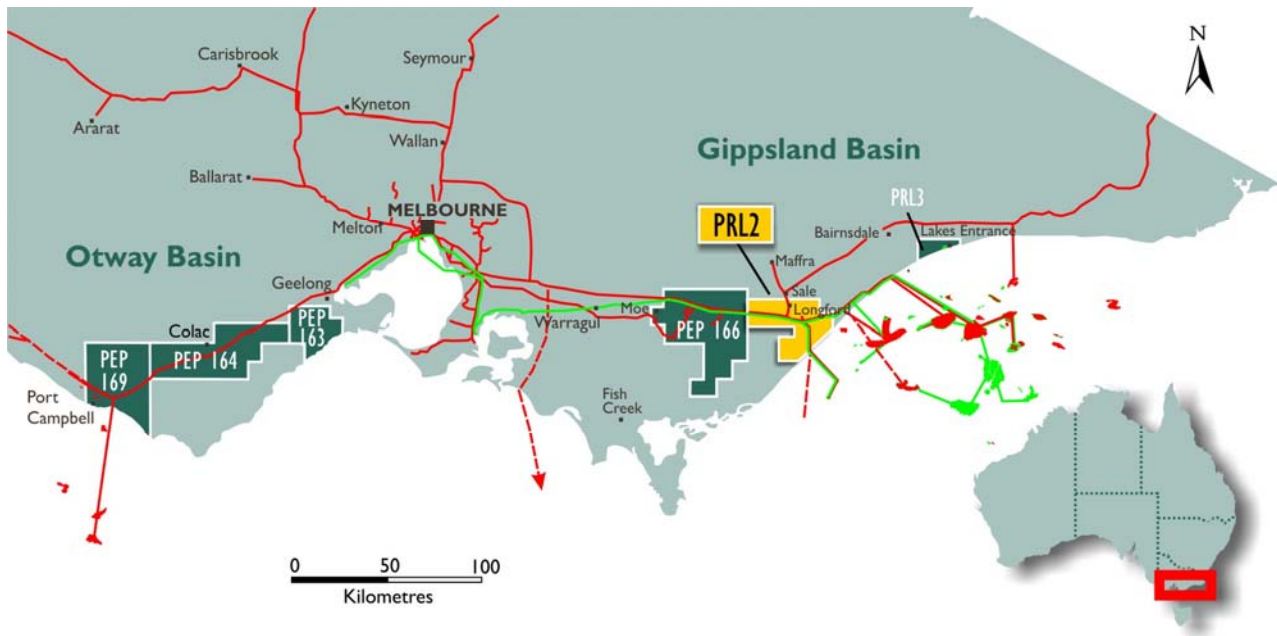
RECENT DEVELOPMENTS

Corporate Announcements

Farm-in Agreement – Beach Energy Ltd – PRL 2, Gippsland Basin

As mentioned in the previous report, The Company announced a two stage partnership with Beach Energy Ltd (Beach) has been agreed upon in regards to further developing the tight gas resources in PRL 2 with a two stage entry to the agreement between the two companies.

The board of Lakes Oil accepted this offer which is now subject to due diligence and approval of Beach's board of directors. Lakes Oil is now awaiting signing of the agreement and looks forward to the upcoming operations in PRL 2.





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 FIELD EVALUATION POST WOMBAT 4 DRILLING

- The Company commissioned Gaffney, Cline & Associates, international independent petroleum consultants, to update the contingent resource estimates for the Wombat field based on the drilling results from Wombat 4. The revised update took into account all the well logging and testing results for Wombat 4 as well as fracture stimulation modelling by our US tight gas experts. The updated P50 estimate of gas initially in place (GIIP) in the Wombat Field is now 787 Bscf. It was previously estimated at 700 Bscf (2008).

**WOMBAT FIELD
VIC/RL2, ONSHORE AUSTRALIA
SUMMARY OF GAS INITIALLY IN-PLACE AND CONTINGENT GAS RESOURCES
POST WOMBAT-4**

	GCA GIIP (Bscf)			GCA EUR (Bscf)		
	P90	P50	P10	1C	2C	3C
WOMBAT FIELD	612	787	1,396	258	329	628

Notes:

- 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.
- Volumes reported are gross (100%) interest for the field area.
- The volumes reported in this table have not been reduced for non-hydrocarbon gas (CO₂, N₂) content, which together average less than 1.8%.

Source: GCA report, June 2010.

Plus potential for **additional** gas as in table below

**WOMBAT FIELD
VIC/RL2, ONSHORE AUSTRALIA
UN-RISKED PROSPECTIVE RESOURCES**

	GCA GIIP (Bscf)	GCA EUR (Bscf)
	P50	P50
WOMBAT FIELD	1030	430

* Source: GCA report, June 2010.

* "In addition, if it can be demonstrated that the Macalister and Wombat areas are part of a single unconventional tight gas accumulation that contains gas down to a common GWC at 2430m. TVDSS based on the log analysis from Wombat-4, then this would provide an additional 1,030 Bscf of GIIP to the accumulation, which could be represented as an un-risked Prospective Resource of 430 Bscf assuming an average recovery factor of 42%. Further drilling is required to evaluate this potential". Quote from GCA report, 2010.

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EXPLORATION ACTIVITIES

- Fracture stimulation modelling of Wombat 4 by Halliburton, Lakes' US based fracture stimulation consultant, identified 27 tight gas zones over 1140 metres:
 - Estimated 8.8 mmscf/d cumulative production after fracture stimulation of all prospective zones of interest with 200 ft frac length;
 - Estimated 3.7 mmscf/d cumulative production from the 5 best zones identified with 200ft frac length; or
 - Estimated 9.2 mmscf/d cumulative production from the 5 best zones identified with 500ft frac length.
- Additional technical evaluations from tight gas and other experts have been completed on the Wombat 4 results to assist in the design and execution of the proposed fracture stimulation program planned for later in the year.

PROPOSED FUTURE FIELD ACTIVITIES

(Following signing of the JV agreement, Beach Energy will assume operatorship of selected field activities)

Re-entry and Fracture Stimulation

The Lakes Oil/Beach Energy joint venture intends to re-enter Wombat 4 and Boundary Creek 2 wells and fracture stimulate several of the best zones later in the year, pending equipment availability and the necessary approvals.

Workover Program

Due to the current JV announcement in relation to PRL 2 activities, the planned workover program in Wombat 2 and 3 wells that was to be undertaken by Lakes Oil is now being re-prioritised.

New Well

The Company is planning to drill a well southwest of Wombat 4 to test a Tertiary Latrobe Group oil 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.

PRL 3

(Lakes Oil Group, Operator: 100% interest)

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)

The Company applied for a petroleum exploration permit over the area previously known as PEP 158 released in a recent Victorian Government Gazette. We are currently waiting on results of our application.



EXPLORATION ACTIVITIES

PEP 166

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

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 to begin in August and data will be shared with Greenerth Energy after required approvals have been granted.

Planned Drilling Program

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 (Gormandale Block), 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.

The drilling locations for two wells have been selected in the Gormandale Block within PEP 166 on the Baragwanath Anticline. Lakes Oil Group will act as operator for the drilling of these wells.

The geological objective of the well(s) is for an oil and gas play on the Baragwanath Anticline in PEP 166 where the Tyers Group Rintouls Creek Sandstone/Tyers Conglomerate within the earliest Lower Cretaceous Strzelecki Group is the primary reservoir objective. A secondary objective is the beds of the overlying Strzelecki Group which conformably overlie the Tyers Group. The Rintouls Creek Sandstone/Tyers Conglomerate is well developed in the northern part of PEP 166 where it outcrops in the Rintouls Creek and Tyers River valleys northeast of Yallourn, and has been intersected in Boola Boola-1, Tyers-1 and Tyers-2 wells nearby and in bore H1664 in the Morwell open cut area beneath the Tertiary coal measures. In the outcrops and wells the sandstone has moderate reservoir quality. The Tyers Conglomerate underlies the Rintouls Creek Sandstone and includes some porosity and permeability at outcrop.

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 within the Lower Cretaceous Eumeralla Group in the permit.



EXPLORATION ACTIVITIES

PEP 169

(Lakes Oil Group, Operator: 100% interest)

Final selection for a drilling site has been chosen adjacent to the Iona gas field. The 'Otway' prospect was mapped using 3D seismic data and is located up-dip from the Iona structure which is a proven gas field in the Waarre 'C' Sand. The well will target two prospective horizons in a fault bound play: the Pebble Point Formation and the Waarre C Sandstone. The estimated total depth of the well is 1300 metres. The geological prognosis is believed to be favourable, considering the close proximity of the prospect and up-dip position to a known hydrocarbon field and the presence of amplitude anomalies in the two mapped reservoir horizons.

Planning for the drilling operation is in progress and estimated start to drilling is next quarter, but will be dependent on rig availability and approvals.

Detailed seismic mapping of other 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.

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

EROMANGA BASIN - Queensland

ATP 560P – McIVOR BLOCK

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

Lakes Oil has exited from this permit.

ATP 560P – UELEVEN BLOCK

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

Lakes Oil has exited 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 seismic 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.

**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 2010

Consolidated statement of cash flows

	Current quarter \$A ' 000	Year to date (12 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	(536)	(8,913)
(b) development	-	-
(c) production	-	-
(d) administration	(827)	(3,195)
(e) capital raising	-	(287)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	30	90
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) – Refund	263	263
1.7 Net movement in GST suspense account	24	68
Net operating cash flows	(1,046)	(11,974)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(25)
(c) other fixed assets	(13)	(27)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	12	12
1.10 Loans to other entities	-	(92)
1.11 Loans repaid by other entities	58	58
1.12 Debtors	-	-
Net investing cash flows	57	(74)
1.13 Total operating & investing cash flows (carried forward)	(989)	(12,048)

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2010

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating & investing cash flows (brought forward)	(989)	(12,048)
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	(989)	(1,484)
1.20 Cash at beginning of quarter/year to date	4,476	4,971
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	3,487	3,487

**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	160
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 for six months to 30 June 2010 (\$100K);
Consulting fees paid to a director related entity for the three months to 30
June 2010 (\$60K)**

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 – 30 June 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	250
4.2 Development	-
Total	250

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)	3,487	4,476
5.2 Deposits at call	180	168
5.3 Bank overdraft	-	-
5.4 Investments in listed companies (market value)	1,182	1,773
Total: cash at end of quarter	4,849	6,417

Changes in interests in mining tenements:

Please note that each of the following “Changes in Interests” have previously been disclosed to the market.

	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	PRL2	Agreement with Beach Energy Ltd (BE) which remains subject to all documentation being agreed. Under the agreement BE could earn up to 50% of Permit	100%	100%
	PEP166-Gormandale Block	Agreement with Latrobe Fuels Ltd may earn up to 50% of a portion of PEP166	100%	100%
	PEP158	This area was re-gazetted following the DPI(Vic.)’s refusal to grant a retention lease	100%	Nil

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 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 (description)	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	N/A	N/A	N/A	N/A
7.5 +Convertible debt securities (description)	Nil	Nil		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A		

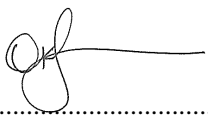
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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2010

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:  Date: 30 July 2010
Company Secretary

Print name: **Leslie Smith**

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.
- 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 complied with.

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