



A.C.N. 004 247 214

Lakes Oil N.L.

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Quarterly Activities Report

For the three months ended
31 March 2011

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CORPORATE DEVELOPMENTS

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)

Registered Office

Level 14
500 Collins Street
Melbourne Victoria 3000

Telephone: (03) 9629 1566

Facsimile: (03) 9629 1624

Stock Exchange

Australian Securities 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
Tim O'Brien BSc MSc MPESA MSPE
Xiaowen Sun BSc (Hons), MSc PhD MAAPG
Guy Holdgate BSc (Hons), PhD
James Martindale BSc (Hons) , MPESA

Chief Financial Officer

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

Address for Correspondence

P.O. Box 300
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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.



RECENT DEVELOPMENTS

CORPORATE ACTIVITIES: HIGHLIGHTS FOR THE QUARTER

On 29 March 2011, Lakes Oil (Lakes) reported that in addition to its tight gas discoveries in the Gippsland Basin, the company aims to develop an extra exploration focus on coal and, if successful, lead to establishment of state-of-the-art power stations with less carbon output. Lakes is of the opinion that in the past, too much attention was paid to shutting down production of electricity in the Valley because of CO2 emissions instead of looking at how this unique Victorian asset can be better developed, and at the same time reducing the carbon footprint. Lakes is in a strong position to achieve both results.

FARMIN: BEACH ENERGY LTD – SOMERTON ENERGY; PRL2, GIPPSLAND BASIN

Now that Lakes has Beach Energy and Somerton Energy earning up to 50 per cent in PRL 2 by spending up to \$50m (Beach Energy has assumed management of Farmin Activities in PRL 2), Lakes can now concentrate on PEP 166 in the Latrobe Valley which contains huge brown coal resources and has been responsible for Victorians obtaining cheap and plentiful supplies of electricity over the last 50 years. With the focus in recent times on climate change and CO2 emissions, the Valley, with its large supply of brown coal and potentially natural gas, has been overlooked.

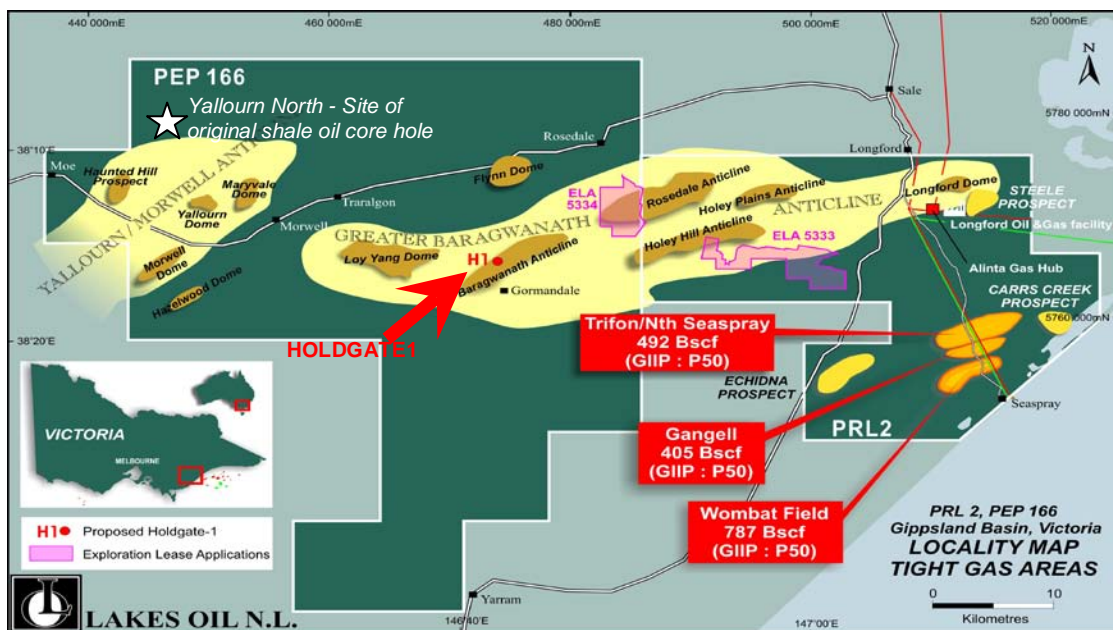
OIL PRODUCING SHALE – NEW UNCONVENTIONAL PLAY

During Commonwealth Mining’s (Lakes’ subsidiary) recent assessment of coal interests in the Valley, a stratigraphical core hole was drilled into and below the Latrobe Group coals seeking deeper Cretaceous coal. This hole encountered interbedded carbonaceous shales and coal which are in the oil generation window.

This discovery was at a shallow depth, and it is possible that these non-marine shales containing oil extend over a wide area of our PEP 166 and in fact could underlie the whole basin in general.

This discovery constitutes a significant shift in the understanding of the Gippsland Basin and will introduce new investment into both onshore and offshore plays.

Mr Annells said that recent activities in the US recovering oil from oil producing shale had been very successful and Lakes would move quickly to evaluate its latest discovery of oil generated in shale.





EXPLORATION ACTIVITIES

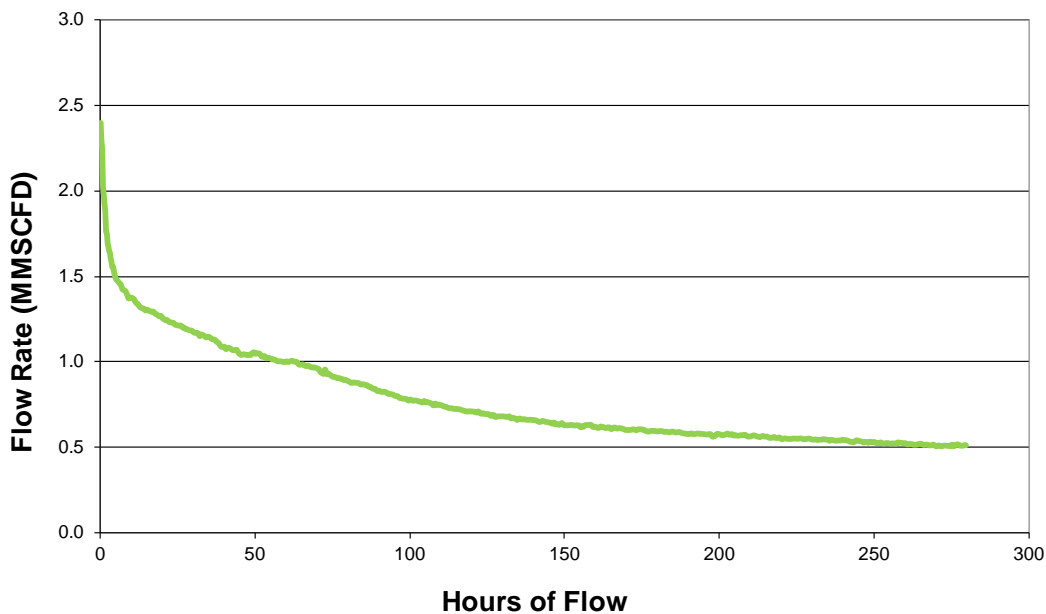
ONSHORE GIPPSLAND BASIN

PRL 2

(Lakes Oil Group, 100% interest. Beach Energy Ltd – Manager Farmin Activities) Under a recently announced Farmin Agreement, Beach Energy Ltd can earn up to 33.3% interest in the area and Somerton Energy can earn up to 16.7%.

Wombat-2 Post-Refrac Extended Flow Test (Farmin Activities managed by Beach Energy Ltd)

A flow and build up test was conducted in December 2010 to determine the impact of the 2009 re-stimulation on a previously fractures zone at 1,470m. Gauges were run in the hole to record downhole pressures during the survey. A total of 9 million standard cubic feet of gas was produced during the twelve day flow period to 29 December 2010 (Figure below). The downhole gauges were recovered from the well in late January 2011. The downhole pressure data indicates a pre-test reservoir pressure of 1838 psia and a final shut in pressure of 1642 psia. Interpretation of the test results is continuing by the operator.



Wombat-2 flow rate on test – December 2010

Planned Future Activities

Wombat-4 Fracture Stimulation

As manager of the Farmin Activities, Beach intends to artificially fracture this well later in the year. Evaluation of results from drilling and logging indicates that the Strzelecki Group in Wombat-4 contains multiple potential tight gas zones suitable for fracture stimulation. The current plan is to initially fracture 3 to 4 of the deepest zones that are representative of the tight gas reservoirs encountered in before looking at the shallower zones.

The work is currently being tendered and it is expected that stimulation will occur in the third quarter of 2011 dependent on availability of suitable fracture stimulation equipment. Delay of this project has been due to the high demand for the fracturing equipment, which will probably be mobilised from Queensland.



EXPLORATION ACTIVITIES

PRL 3

(Lakes Oil Group, Operator: 100% interest)

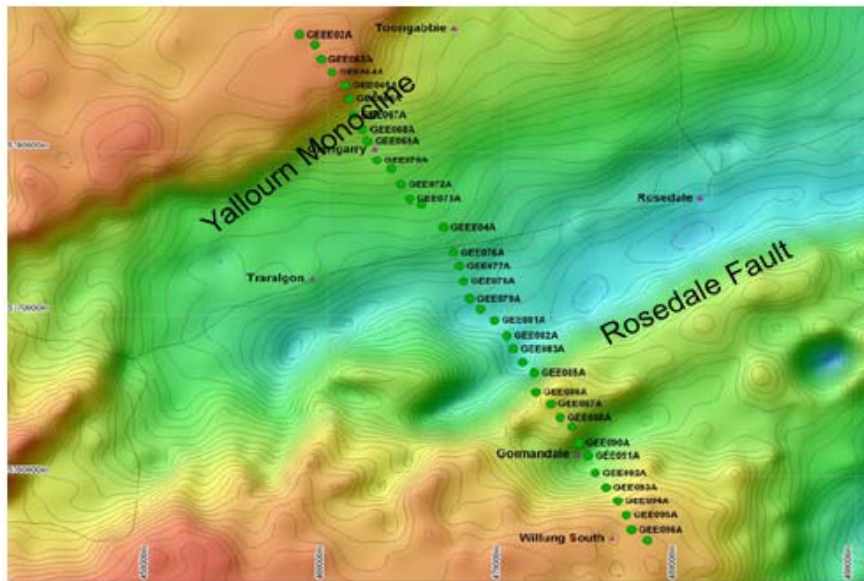
No further activities have taken place in this permit.

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.

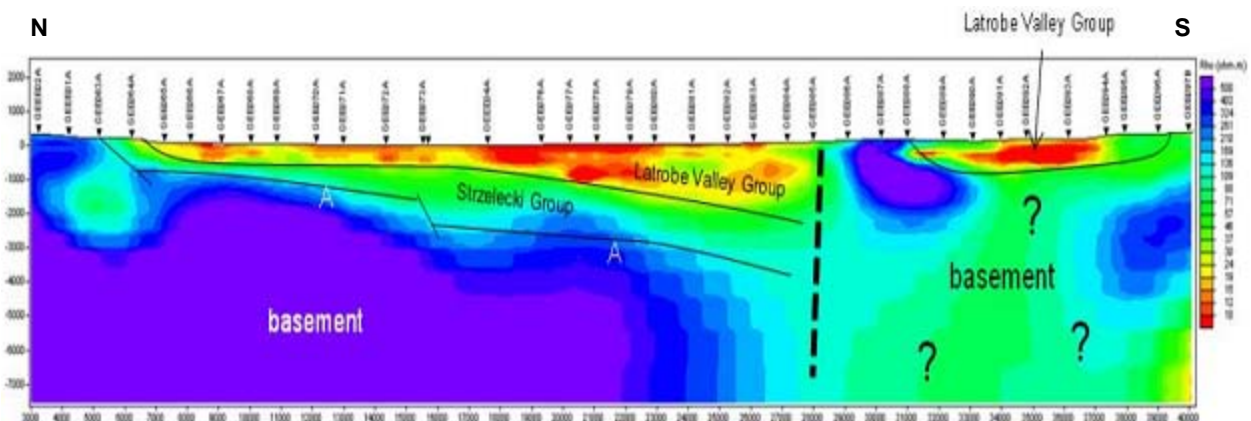
PEP 166

(Lakes Oil Group, Operator 100% interest)

Preliminary interpretation of the final processed data of the magneto-telluric (MT) survey conducted last quarter across the Latrobe Valley region) is continuing. This survey was successfully completed with acquisition of good data quality. The data will be shared with Greenerth Energy, who acted as operator for this project. The survey extended beyond PEP 166 to include stations in Greenerth's geothermal permit, which overlaps PEP 166.



Location of Latrobe Valley MT sites with regional gravity in the background. Main towns in the vicinity are indicated: a preliminary interpreted cross-section is shown below.





EXPLORATION ACTIVITIES

Preliminary results of North to South Magneto-Telluric traverse over the central Latrobe Valley in PEP 166.

The above MT results clearly indicate the step down of basement from outcrop on the northern edge of the basin (left) to a depth of around 4 km at the foot of the Rosedale Fault. The Tertiary Latrobe Valley Group as indicated by the highest colours (reds, yellows), thicken into the foot of the Rosedale Fault. South of the Rosedale Fault, Strzelecki Group is upfaulted to shallow depth as is probable basement on the Baragwanath Anticline. Further south, the red and yellow colours are consistent with a thickening of Tertiary Latrobe Valley Group in the Gormandale Syncline in the southern (right) section of the MT line. Shallowing of basement at the extreme southern end of the line (right) indicates the uplift of the Strzelecki Hills probably has basement involvement.

Loy Yang 2 shale gas studies

Sampling of Loy Yang-2 well for shale gas has been undertaken across the most prospective interval between 1060 m and 1130 m, known as the Wonthaggi Coal Measures. TOC analyses indicate some encouraging results for good source rock potential that is probably gas prone. Further geochemical analysis has been undertaken using rock-eval to evaluate the shale generative potential. Log and rock evaluations are also continuing.

Yallourn North 1A Stratigraphic Corehole: new unconventional play onshore Gippsland Basin

Commonwealth Mining, a Lakes subsidiary company, drilled a stratigraphic corehole in the northern part of PEP 166 in the last quarter to evaluate coals in the Gippsland Basin. The well was extended below the shallow Latrobe brown coals to intersect Early Cretaceous black coals and older sequences that underlie the Latrobe sequences at this location. Specialised geochemical evaluation of the Early Cretaceous Rintouls Creek Formation, which was encountered below the normal Strzelecki Group sediments, proved to contain carbonaceous shales and coals that are in the oil generation window and have excellent potential for shale oil generation. It is believed that the sequence probably underlies the Gippsland Basin.

Planned Drilling Program

Proposed Holdgate 1

Lakes has gained the environmental approval to drill two wells in PEP 166, subject to obtaining a suitable rig intends to drill one well (with the option of drilling a second if the first one is successful) in the second quarter of 2011.

The geological objective of the well(s) is to test an oil and gas play on the Baragwanath Anticline in PEP 166 where the Tyers Group Rintouls Creek Sandstone/Tyers Conglomerate is the primary 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 Yallourn North 1A corehole, 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 has fair to good porosity and permeability at outcrop.



EXPLORATION ACTIVITIES

Follow-up Stratigraphic Corehole for Lower Cretaceous Shale Oil Play

Plans are also underway to drill one or more offset coreholes south of the Yallourn North 1A corehole located downdip deeper into the basin. The objective of the corehole(s) is to further determine the extent, thickness and prospectivity potential of the shale oil play identified in the Rintouls Creek Sandstone along the northern margin of the Gippsland Basin.

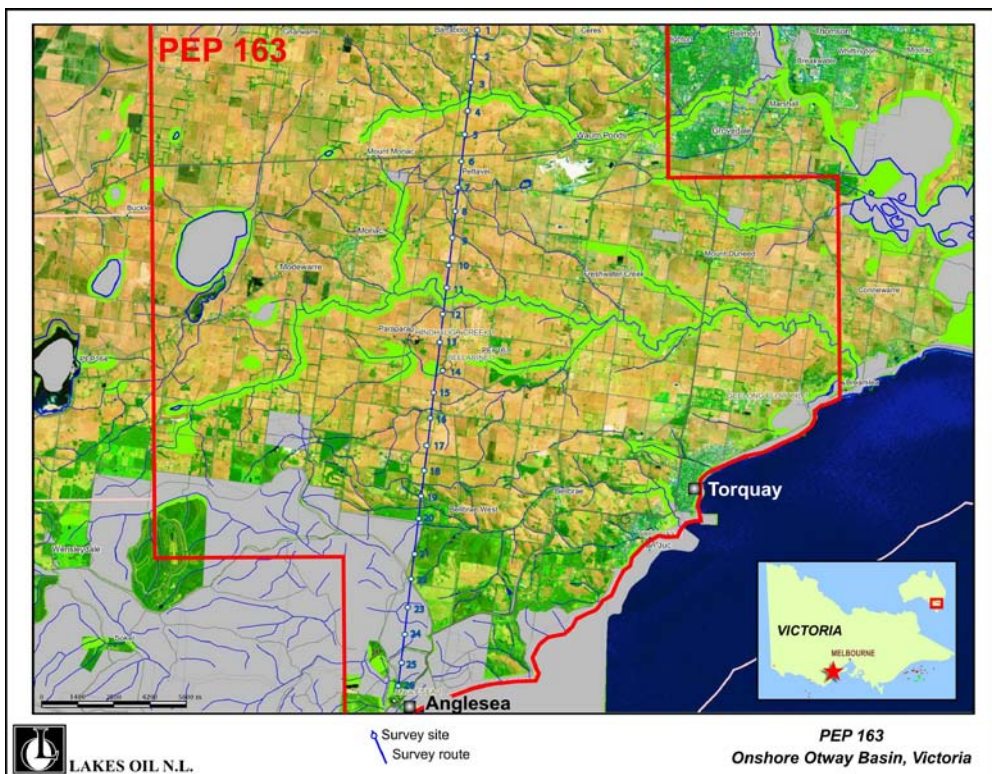
Timing of these wells is yet to be determined, but is estimated to be in the next six months, pending rig availability and other factors.

ONSHORE OTWAY BASIN VICTORIA

PEP 163

(Lakes Oil Group, Operator: 100% interest)

A magneto-telluric (MT) survey was completed in November 2010 to complement the existing seismic data and provide better depth imaging in the permit (map below). The data recording quality was considered good and this data will now be processed and then interpreted. Timing of this survey was co-ordinated with MT work that was conducted in PEP 166 in the Gippsland Basin. This data is still being processed.



Location of the Otway Basin MT traverse in PEP 163

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

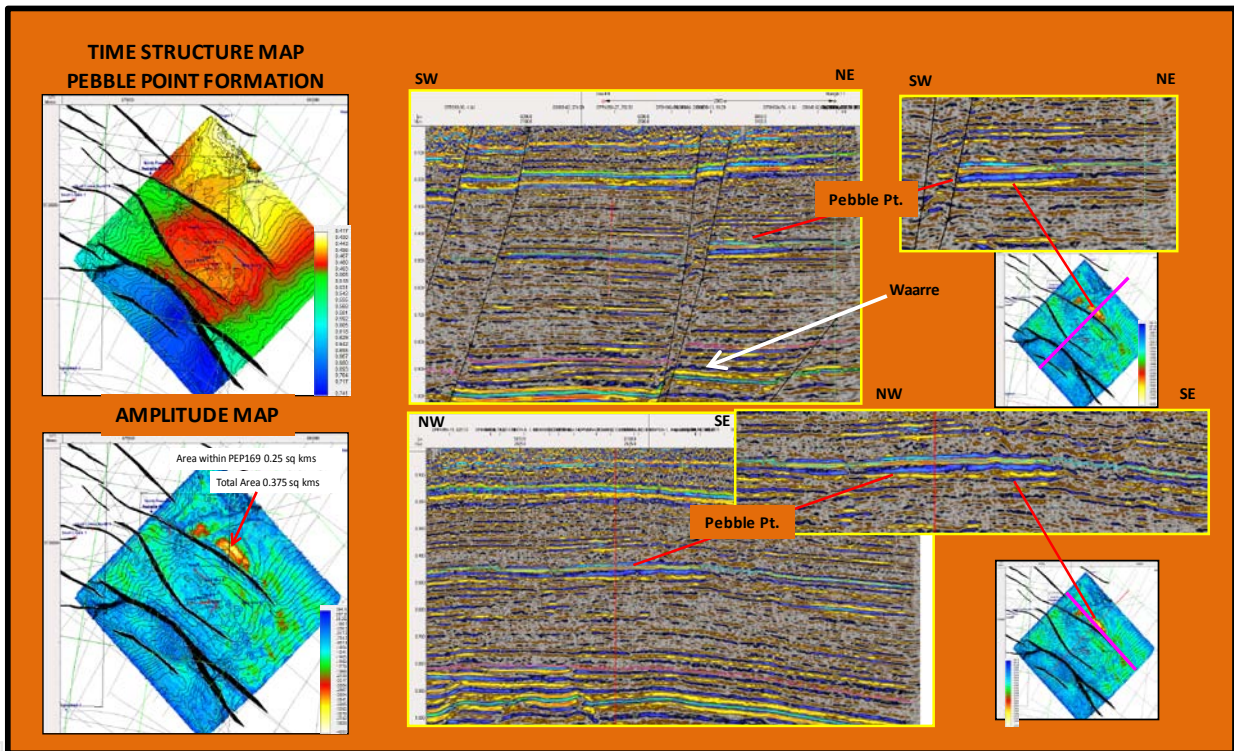
PEP 169

(Lakes Oil Group, Operator: 100% interest)

Landowner and access issues continue to delay drilling at the proposed 'Otway' site, a mapped Pebble Point and Waarre 'C' prospect (see figure below for Prospect G) located near the Iona Gas Field. Mapping and approvals for suitable alternative site are continuing. Additional drillable Waarre prospects have been mapped located near the western border of PEP 169 - PEP 168 permit boundary (see figures below for Prospects A and F).

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.

PEP 169

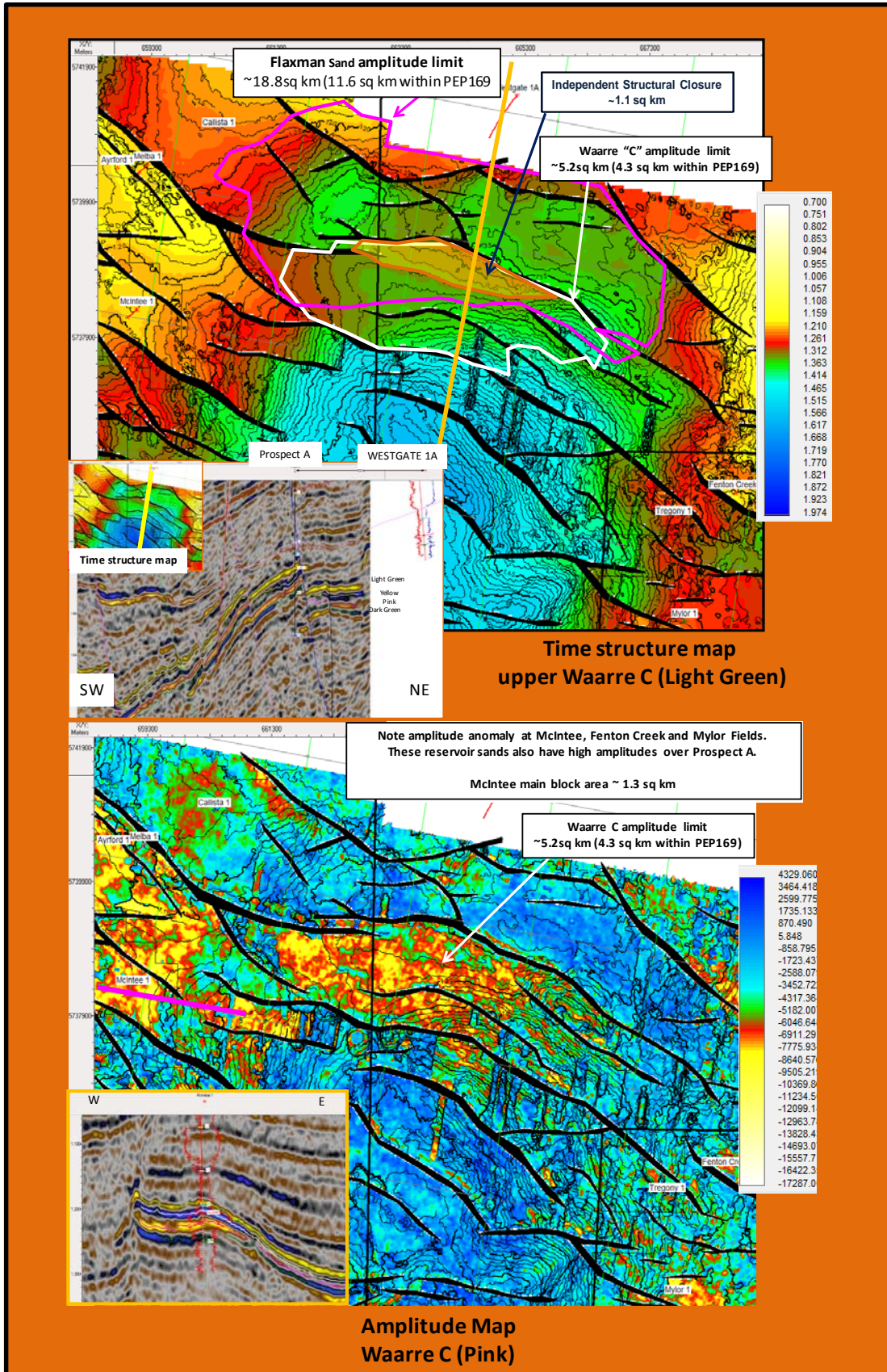


PROSPECT G (Proposed Otway -1 well) - PEBBLE POINT AND WAARRE TARGETS



EXPLORATION ACTIVITIES

PEP 169



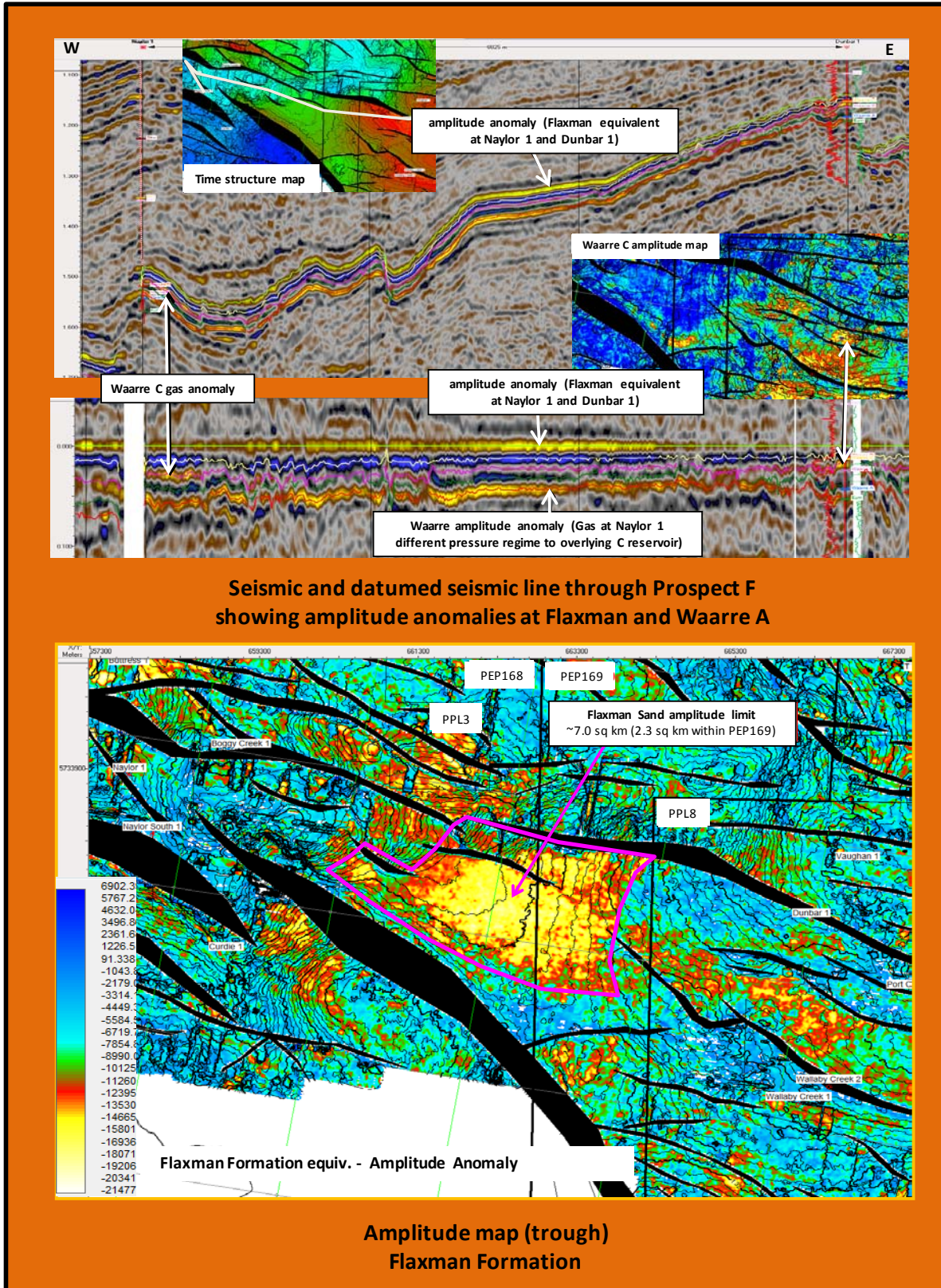
PROSPECT A – WAARRE TARGET

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EXPLORATION ACTIVITIES

PEP 169



PROSPECT F - WAARRE TARGET

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EXPLORATION ACTIVITIES

EAGLE OIL DEVELOPMENT PROJECT, CALIFORNIA

Eagle Prospect - Onshore, California, U.S.A.

(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

The partners continue to assess this prospect. A resource study is underway.

Signed on behalf of Lakes Oil N.L.

Ingrid Campbell
Chief Geologist

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

LAKES OIL N.L.

ABN

62 004 247 214

Quarter ended ("current quarter")

31 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(296)	(1,170)
(b) development	-	-
(c) production	-	-
(d) administration	(670)	(2,087)
(e) capital raising	-	(68)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	58
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid)/R&D Refund	806	806
1.7 Net movement in GST suspense account	31	(6)
Net Operating Cash Flows	(127)	(2,467)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(4)	(54)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(4)	(54)
1.13 Total operating and investing cash flows (carried forward)	(131)	(2,521)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report - 31 March 2011

1.13	Total operating and investing cash flows (brought forward)	(131)	(2,521)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	1,370
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	1,370
	Net increase (decrease) in cash held	(131)	(1,151)
1.20	Cash at beginning of quarter/year to date	2,467	3,487
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,336	2,336

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	\$111
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Consulting Fees paid to a director entity for the three months to 31 Mar 2011 - \$61K
Directors' fees for 3 months to 31 Dec 2011 - \$50K

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

+ See chapter 19 for defined terms.

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	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	-
4.4 Administration	700
Total	900

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	2,336	2,467
5.2 Deposits at call	200	195
5.3 Bank overdraft	-	-
5.4 Other (provide details) Investments in Listed Companies – Market Value	1,049	948
Total: cash at end of quarter (item 1.22)	3,585	3,610

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Appendix 5B
Mining exploration entity quarterly report - 31 March 2011

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		

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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.

	Total number	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	5,901,401,461	5,709,901,461		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	N/A	N/A	N/A	N/A
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		
7.7 Options <i>(description and conversion factor)</i>	9,850,000	Nil	<i>Exercise price</i> \$0.015	<i>Expiry date</i> 9 January 2013
7.8 Issued during quarter	Nil	Nil		
7.9 Exercised during quarter	Nil	Nil		
7.10 Expired during quarter	Nil	Nil		
7.11 Debentures <i>(totals only)</i>	Nil	Nil		
7.12 Unsecured notes <i>(totals only)</i>	Nil	Nil		

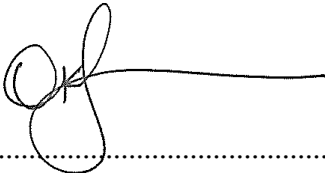
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 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: 29 April 2011

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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+ See chapter 19 for defined terms.

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