Lakes Oil N.L.

Tight Gas
'A Lonely Journey'

"Have you heard about the 17 year – overnight sensation"

Rob Annells

November, 2011

Disclaimer

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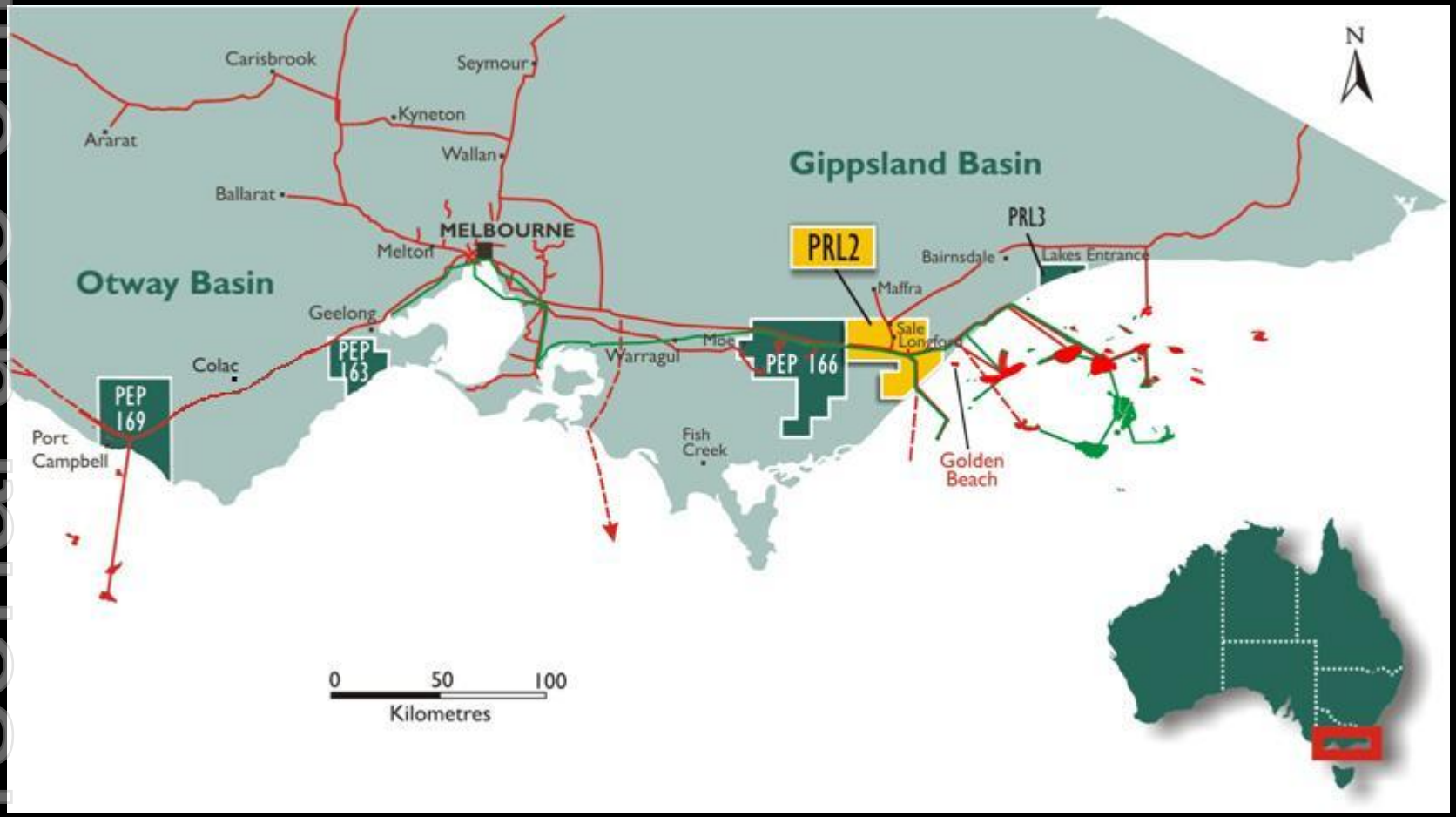
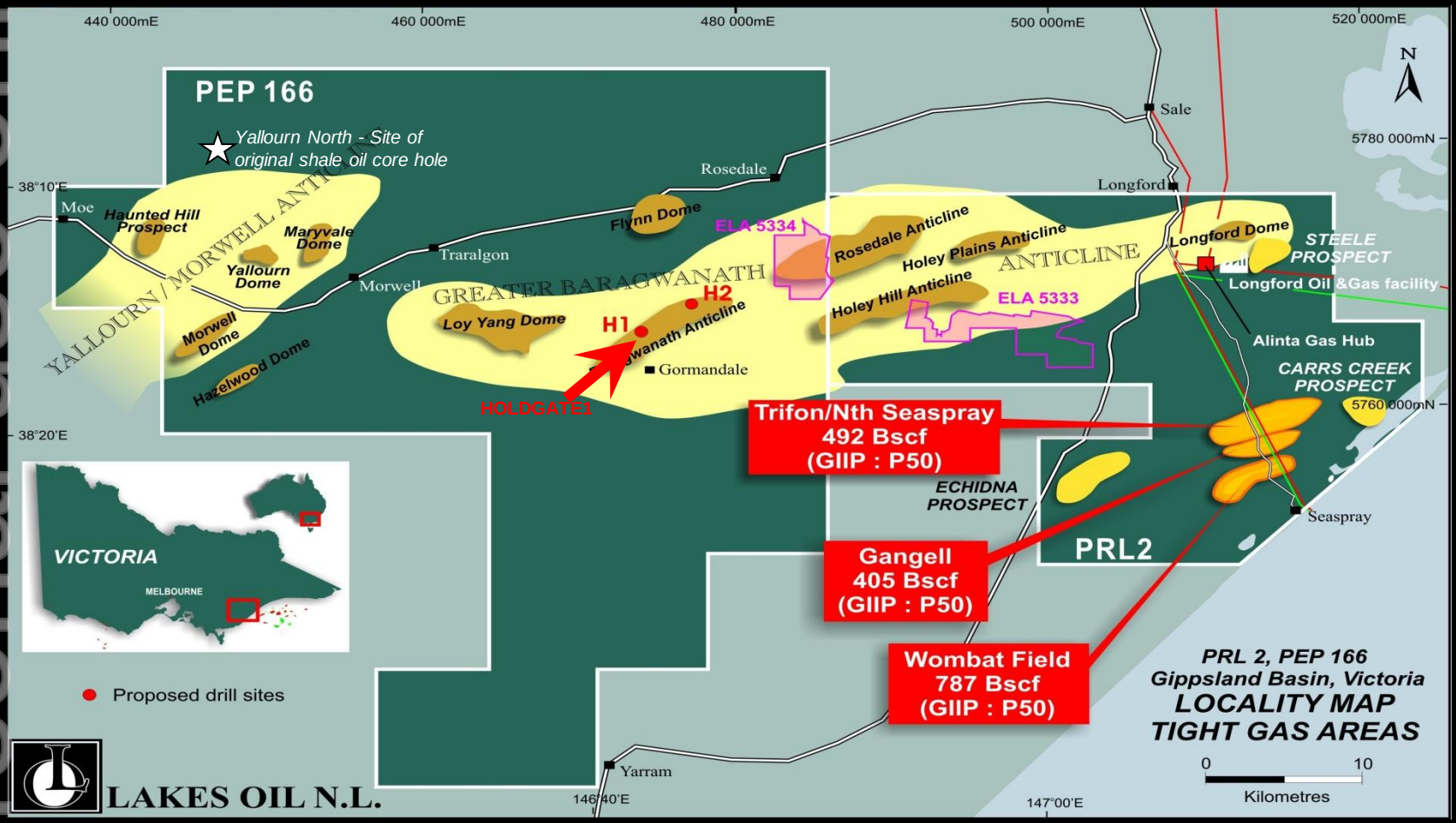
Lakes Oil NL

The oldest oil and gas exploration company in Australia, getting to produce from Victoria's new gas province – onshore Gippsland Basin





COMMERCIALITY THROUGH NEW TECHNOLOGY

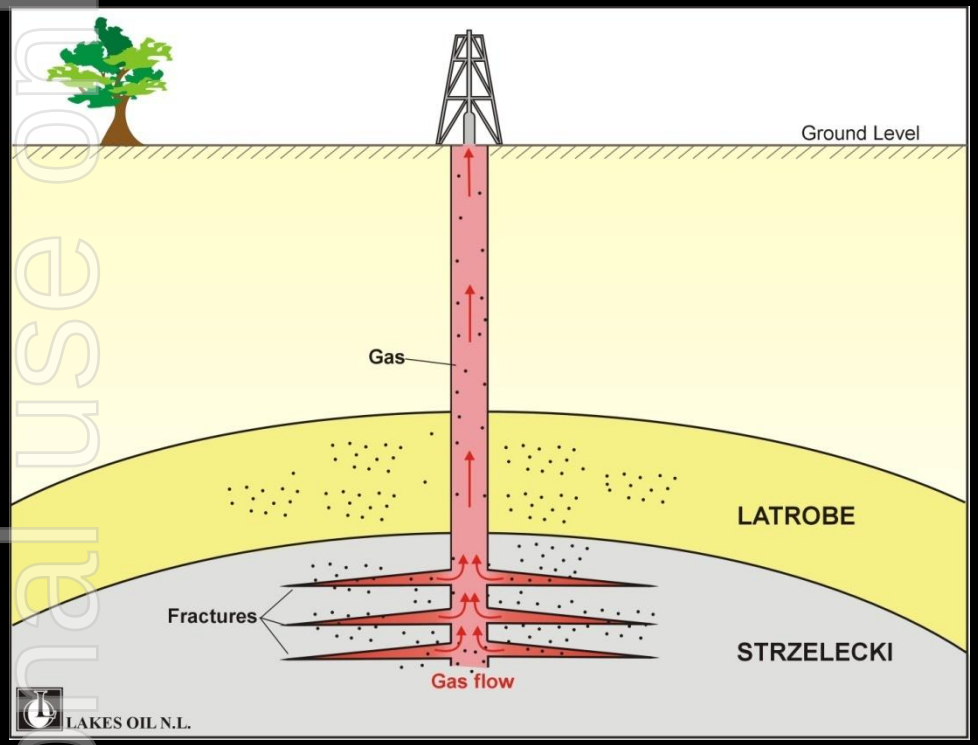
Lakes Oil has learned a tremendous amount about the onshore Gippsland Basin following the investment of over $50m in drilling, stimulating and testing activities:

- Unique position to market
- Next to one of Australia's major gas hubs
- Service entire eastern seaboard (commercial centre of Australia)
- Capital costs considerably lower than offshore.

What Is A "Hydraulic Fracture" ?

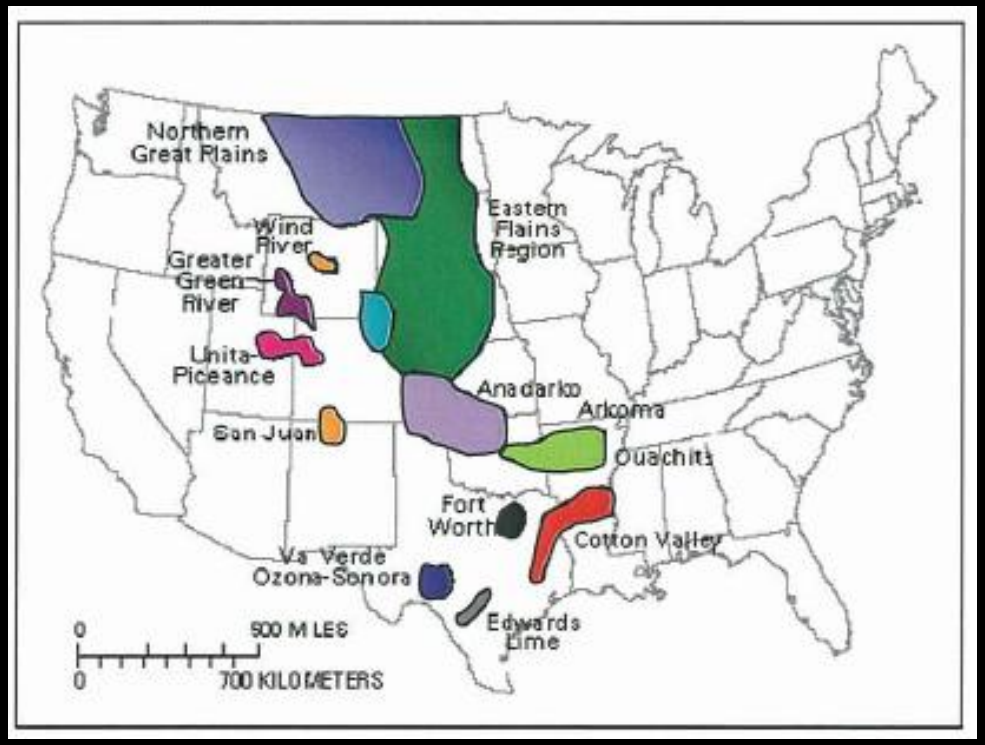
- The use of fluids to apply hydraulic pressure to create a crack in a rock formation
- The continued injection of fluids into the created crack or "fracture" to make it grow larger
- The placement of small granular solids into the crack to insure the crack remains open after the hydraulic pressure is no longer applied
- Increase the rate at which the well is capable of producing oil or gas
- Increase the economically recoverable reserves for a well (although it does not change the total reserves in place)

Hydraulic Fracture Stimulation

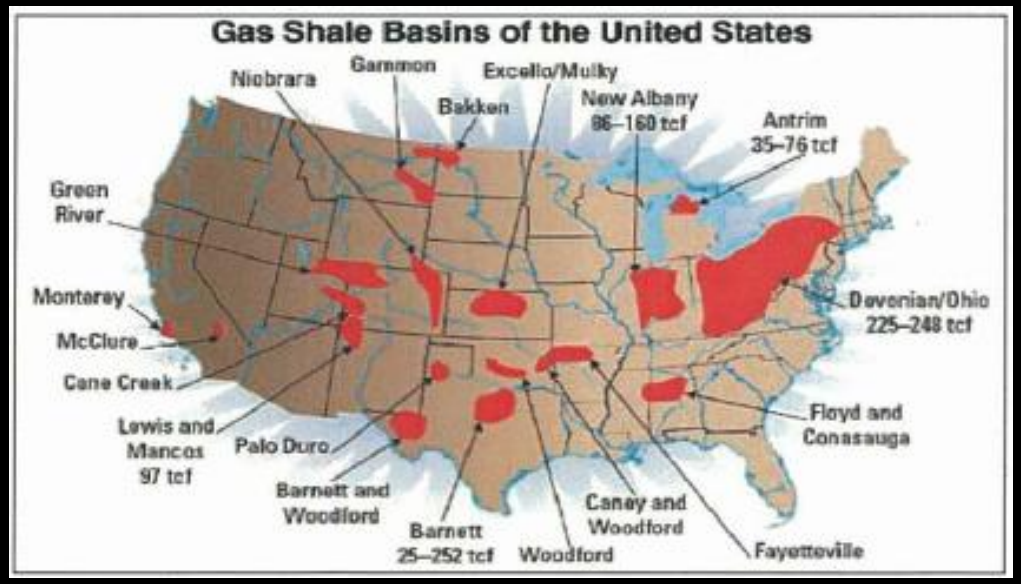


- TECHNOLOGY CHANGES OVER THE LAST 10 YEARS
- Sequential multiple zone stimulation.
- Increased fracture propagation length.
- Dramatic improvements in synchronised breaker technology.
- Improved computer modelling to allow accurate pre-frac predictions.
- Improved frac plug technology associated with mono-bore completions.
- Improved pinpoint fracturing with coiled tubing.

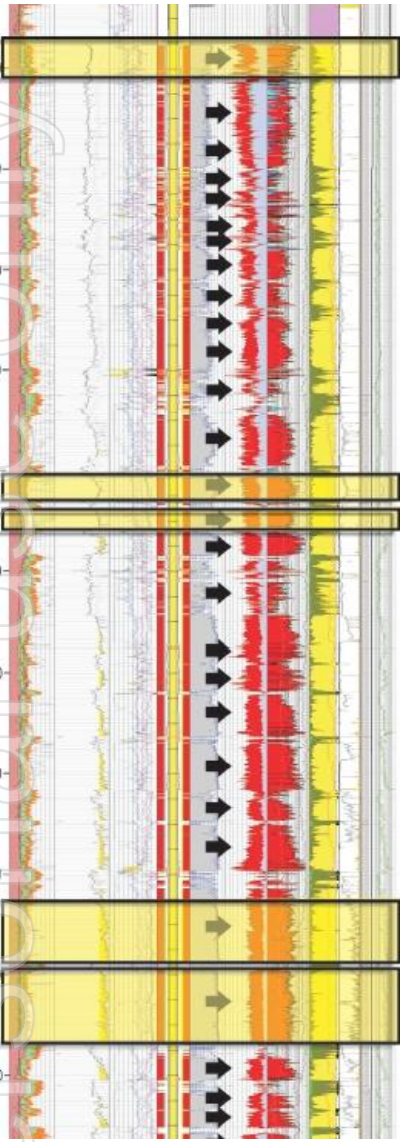
USA Tight Sands Basins



Shale Gas Basins in U.S.



Key Assets – Wombat 4



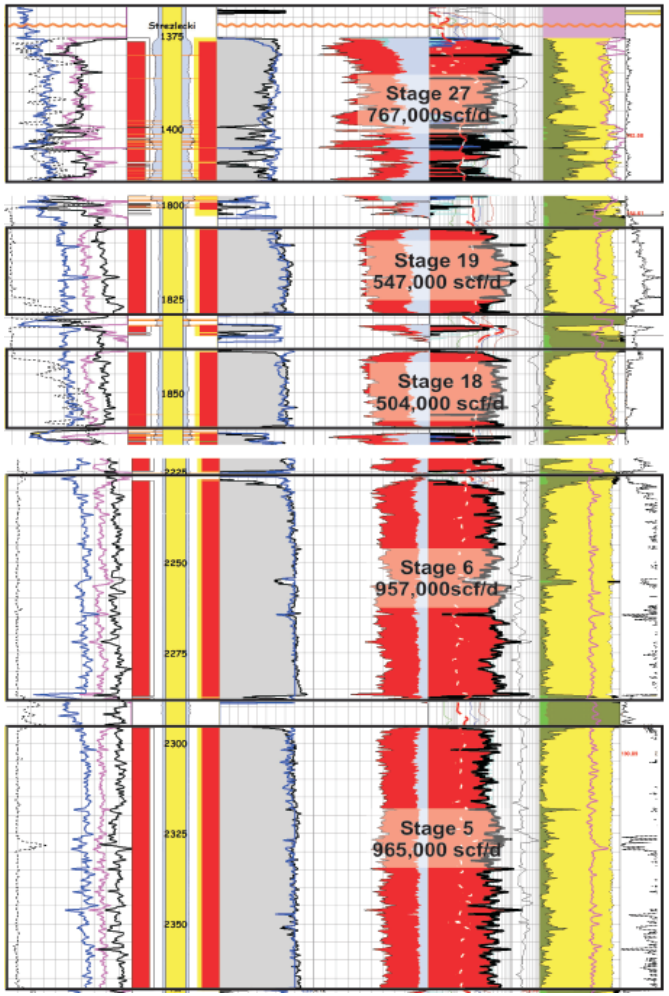
Stage 27

Stage 19

Stage 18

Stage 6

Stage 5



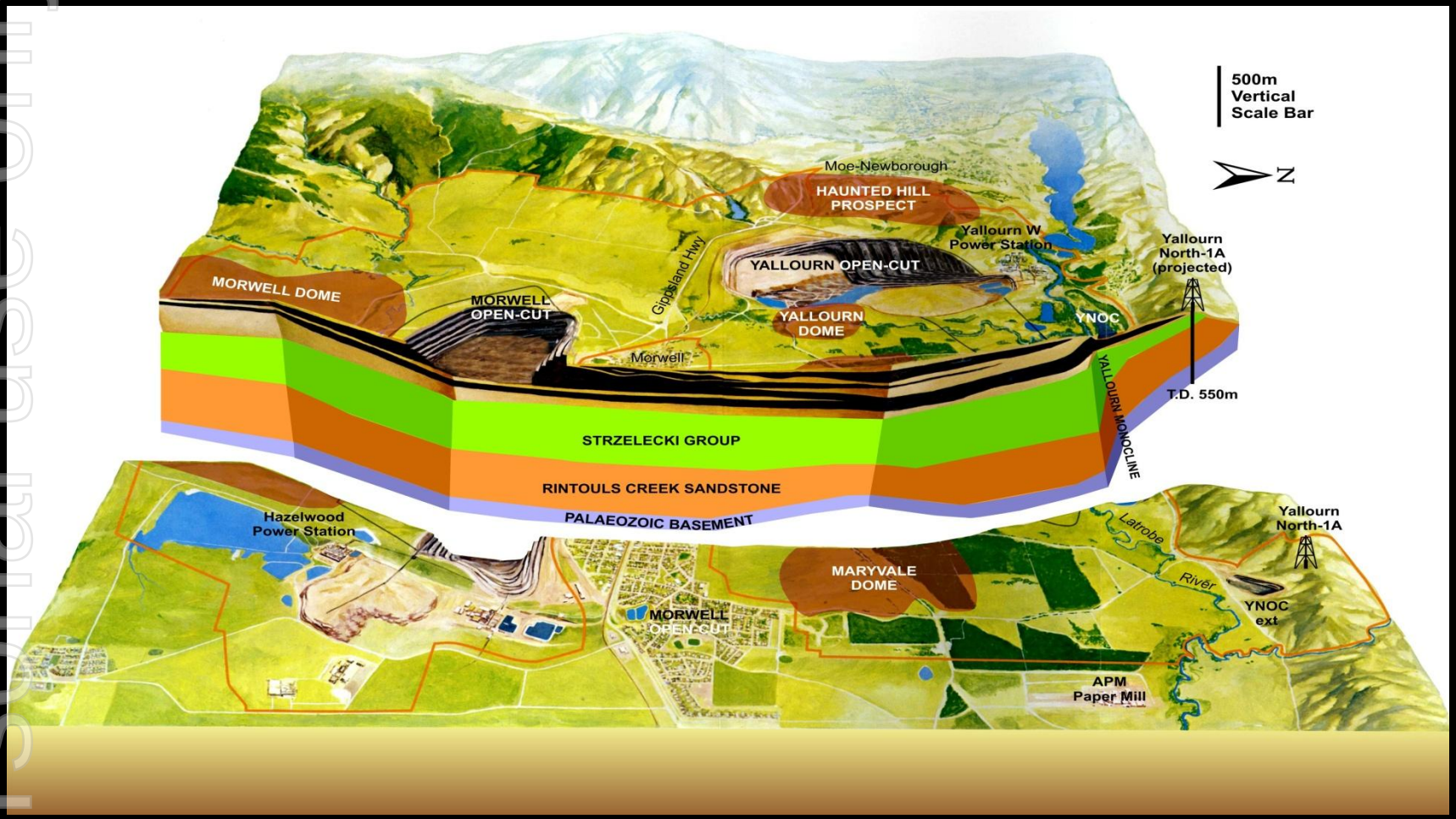
<u>Wombat 4:</u>
5best selected gas zones from the log of the Strzelecki Group estimated total production after fraccing of ~3.7 mmscf/d (using a 200' fracture length)

PRL2 Development

Lakes Oil is working towards commercial development of its Gippsland Basin tight gas sands resources in PRL2:

- Wombat Field estimated gas-in-place: ~787 Bscf
- Trifon Field estimated gas-in-place: ~492 Bscf
- Gangell Prospect estimated gas-in-place: ~405 Bscf

Lakes Oil plans to commercialise these fields by employing optimal drilling, fracture-stimulation, and completion techniques



- TOC: 7.52%
- Porosity: 10.9%
- **Oil** extracted
- VR: 0.64% (mature)

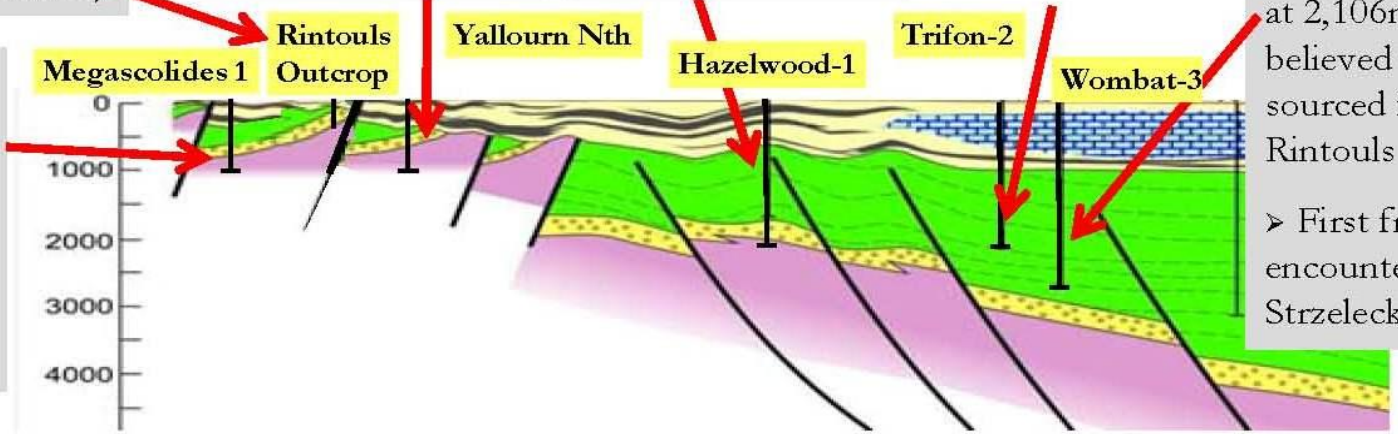
- **Oil** show in Strzelecki
- Rintouls section contains numerous **oil shale intervals** mature for oil

- 250m thick **carbonaceous shale** intersected below Strzelecki

- 2,000 bbl water **flow** from **fracture** at 2284m depth

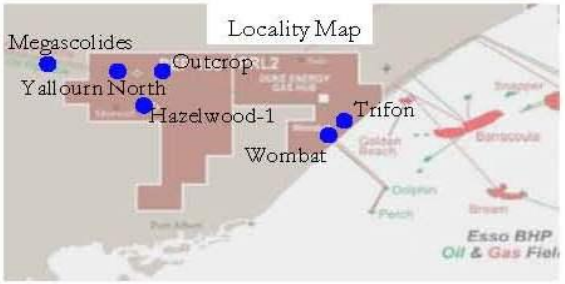
- 9 bbl free **oil** flow from **fracture** at 2,106m depth: believed to be sourced from the Rintouls Ck shales
- First free oil encountered in Strzelecki

- Oil in Rintouls sandstone:
- 60% **oil saturation**,
- 10-15% **porosity**



Not to scale

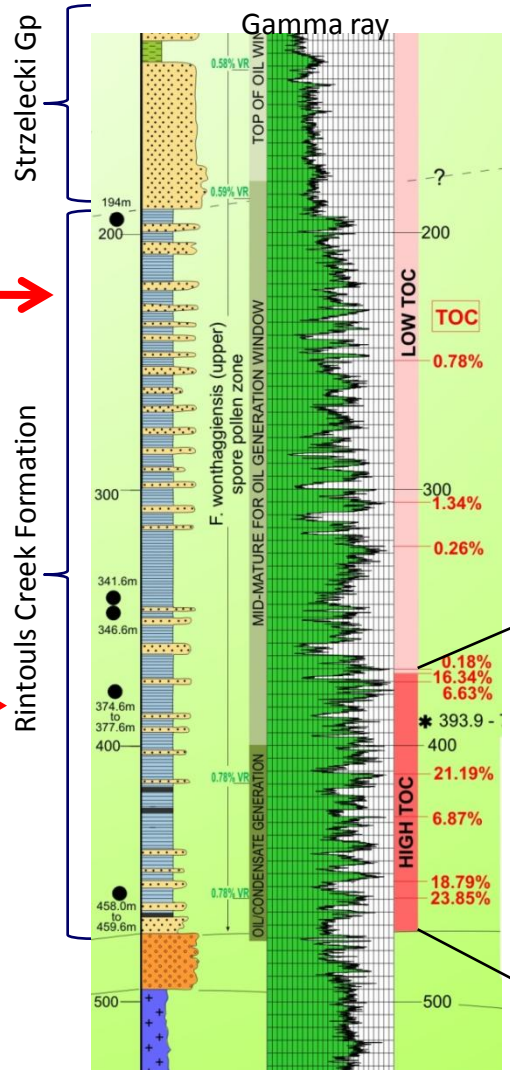
- Latrobe Valley Group
- Seaspray Group
- Strzelecki Group
- Rintouls Creek Formation
- Basement



Yallourn North Geochemistry

Rintouls Creek Formation: Organically Rich

- Oil show within Strzelecki Group
- Interbedded porous sandstones with low-fair TOC are potentially very good reservoirs
- Fair-to-excellent TOC content in lower 100m source rock section
- Isosterane plot suggests organic matter of higher plant terrestrial source



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