



A.C.N. 004 247 214

Lakes Oil N.L.

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www.lakesoil.com.au

Quarterly Activities Report

For the three months ended
31 March 2012

Registered Office:
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Melbourne Vic 3000
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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
Nicholas Mather B.Sc (Hons. Geology)
William R. Stubbs LLB
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

Chief Financial Officer

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

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.



RECENT DEVELOPMENTS

CORPORATE ACTIVITIES: HIGHLIGHTS FOR THE QUARTER

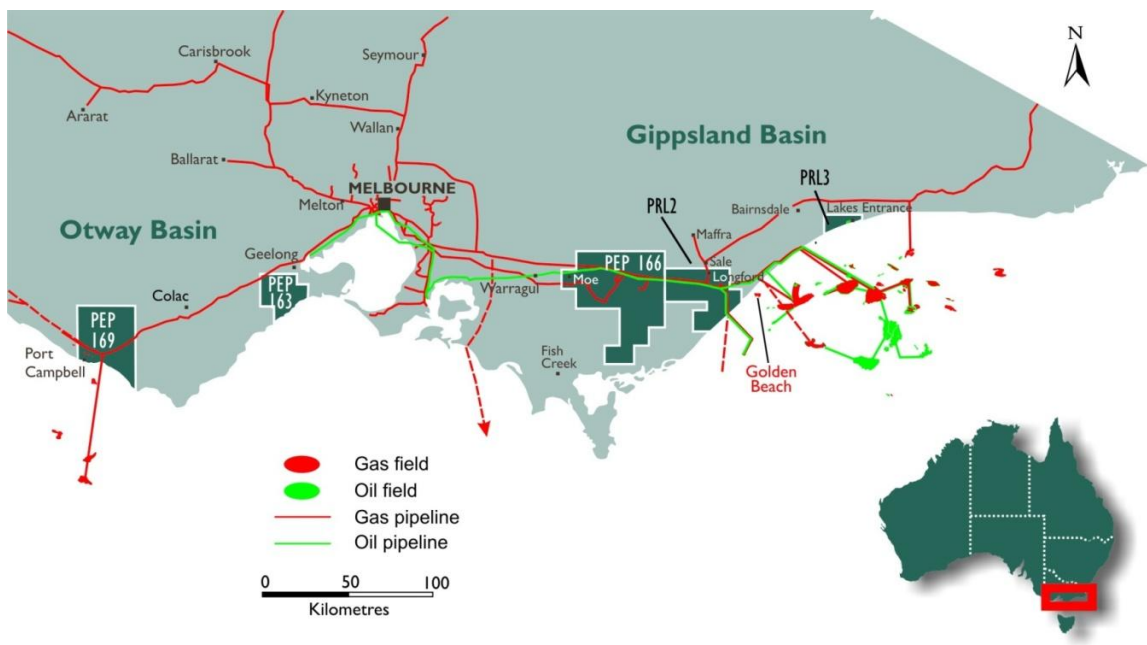
ASX ANNOUNCEMENT:

Appointment of New Directors

In this quarter, Lakes Oil N.L. (LKO) advised that under the terms of its December 2011 agreement with Armour Energy Ltd, Mr Nicholas (Nick) Mather and Mr William (Bill) Stubbs were appointed to the Lakes Board of Directors on 1st February 2012.

Moreys 1 drilling

Directors of Lakes Oil N.L. (LKO) and its partner Armour Energy Ltd advised that Moreys 1 located in PEP 169, onshore Otway Basin, Victoria was spudded on 18 April 2012. Total depth is programmed to 2000 metres. Estimated depth to primary target (Waarre 'C') is 1740 metres. Armour Energy is funding the drilling of this well to a cost of \$2.5M to earn a 51% interest in PEP 169.



Lakes Oil's Victorian permits map

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EXPLORATION ACTIVITIES

ONSHORE GIPPSLAND BASIN

PRL 2

(Lakes Oil Group, 100% interest in the overall permit, except for the Trifon and Gangell blocks where Lakes Oil Group has a 57.5% interest and Jarden Corporation Australia Pty Ltd has a 42.5% interest.)

Beach Energy Ltd (Beach) – Delegated Operator for overall Permit. Under a Farm In Agreement, Beach can earn up to 33.3% interest in the overall permit and Somerton Energy Ltd can earn up to a 16.7% interest).

Armour Energy Ltd has been granted a 3 year option to acquire (subject to the terms of existing agreements with Beach Energy Ltd and Somerton Energy Ltd) 50 % of Lakes Oil Group's interests in the Trifon and Gangell blocks, and a direct 25% interest in the remainder of PRL2, for a total payment of \$30 million. Lakes Oil NL will receive option fees totalling \$0.6 million during the life of the option.

Planned Future Activities

Wombat 4 and Boundary Creek 2 Fracture Stimulation

As Operator, Beach intends to artificially fracture stimulate Wombat 4 and Boundary Creek 2 in mid- 2012. Evaluation of results from drilling and logging indicates that the Strzelecki Group in both wells contains a number of potential tight gas zones suitable for fracture stimulation. The current plan for Wombat 4 is to initially fracture 3 to 4 of the deepest zones that are representative of the tight gas reservoirs encountered in the well before looking at shallower zones. In Boundary Creek 2, 3 to 4 fracs will be placed into the 200m thick sand package between 750-950 m.

Tenders have been awarded and it is expected that the work over and stimulation programs are scheduled for the first half of 2012.

PRL 3

(Lakes Oil Group, Operator: 100% interest)

No further operational activities have taken place in this permit. The company is still working to resolve access issues to chosen drill hole sites. The matter is currently before the Victorian Civil and Administrative Tribunal.



EXPLORATION ACTIVITIES

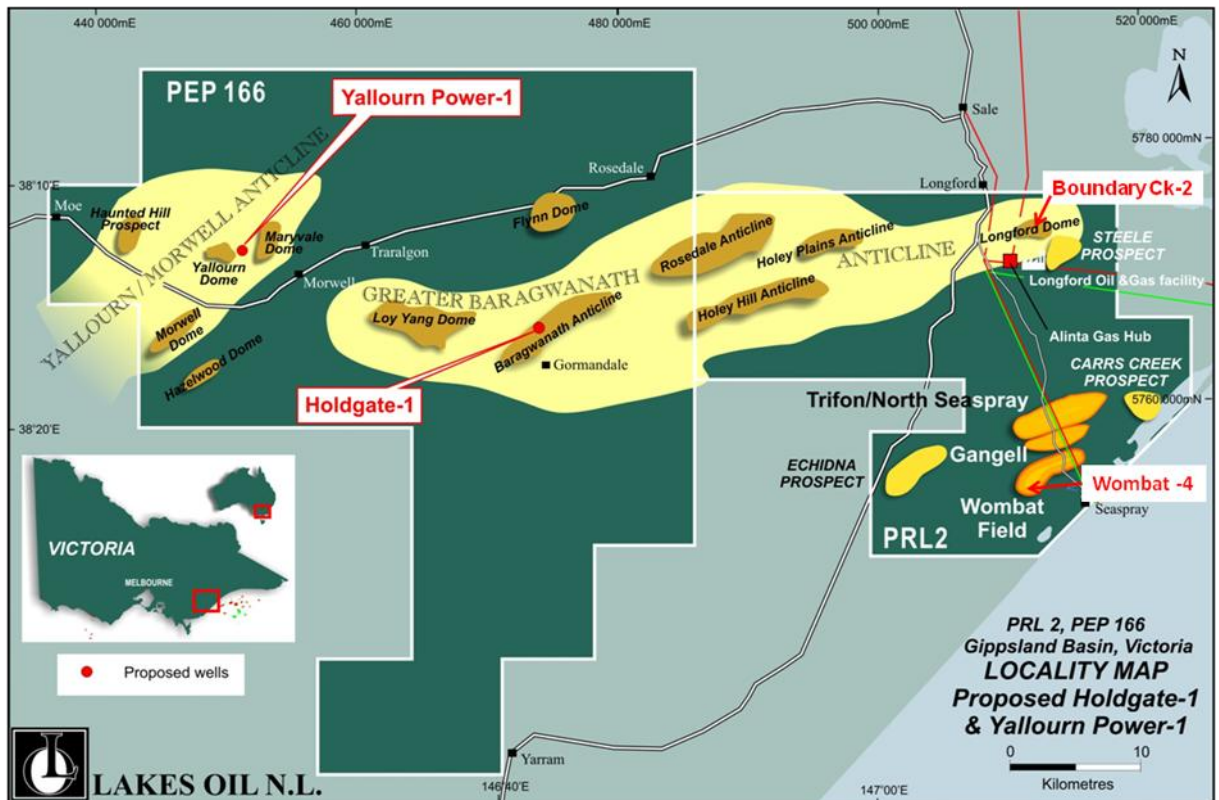
PEP 166 (Onshore Gippsland Basin) (Lakes Oil Group, Operator 100% interest)

Armour Energy Ltd (Armour) can earn up to a 51% interest in the Permit as follows:

- 1) drilling Holdgate 1 and the core hole Yallourn Power 1 by spending \$4.25 million and;
- 2) in the following 12 months, Armour may expend a further \$4.75 million to drill an additional open hole well complete with any necessary frac stimulation.

If Armour does not proceed with Phase 2 its interest will be capped at 25%.

PEP 166: Planned Field Activities



Map of PEP 166 and PRL 2 showing the location of proposed wells, Holdgate 1 and Yallourn Power 1. Note that the Greater Baragwanath Anticline (shown in yellow shading) extends across both PRL2 and PEP 166.

Regional geological studies of the permit continued with re- evaluation of the tight gas and oil potential of the lower Strzelecki Group from old well data using new interpretative techniques. The studies indicate that there is additional potential for tight gas and oil to be present along the central part of the Latrobe Valley region within 3000m depths.

Planned Drilling Program

Proposed Holdgate 1

Preparations are well advanced for the drilling of the proposed Holdgate -1 well in PEP 166 (see map above). Environmental and other required approvals have been obtained. The well pad and the surface conductor have been installed.

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EXPLORATION ACTIVITIES

PEP166 (Continued)

Proposed Holdgate 1(Continued)

Subject to obtaining a suitable rig and gaining further approvals, the joint venture with Armour Energy Ltd intends to drill one well in the second quarter of 2012.

The geological objective of the well 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 believed to be present below the Strzelecki Group. Oil shows were observed in the Rintouls Creek Formation in Yallourn North 1A corehole and it is hoped that at the Holdgate1 location, which is over 25 km further south from Yallourn North 1A, the Rintouls Creek Sandstone/Tyers Conglomerate will thicken providing the potential for oil to be present.

A secondary objective is tight gas in the older Cretaceous beds of the overlying Strzelecki Group which conformably overlie the Rintouls Creek Sandstone/Tyers Conglomerate.

In the outcrops and wells, including the Yallourn North 1A corehole to the north, the sandstone has moderate-good reservoir quality. The Tyers Conglomerate underlies the Rintouls Creek Sandstone and has fair to good porosity and permeability at outcrop.

Proposed Yallourn Power 1 corehole:

Plans are also underway to drill an offset corehole, approximately 7 km south of Yallourn North 1A, and located downdip deeper into the basin (see map above). The objective of the Yallourn Power 1 corehole is to further determine the extent, thickness and prospectivity potential of the oil play identified in the Rintouls Creek Sandstone along the northern margin of the Gippsland Basin in our previous core hole, Yallourn North 1A, where these units are well developed. Oil shows were observed in cores cut and it is hoped that at the Yallourn Power 1 site, the Rintouls Creek Sandstone/Tyers Conglomerate thicken, providing the potential for oil to be present.

Drilling approval for this corehole has been granted, but the timing is yet to be determined. It is estimated to be drilled in the next six months, pending rig availability and further approvals.



EXPLORATION ACTIVITIES

ONSHORE OTWAY BASIN VICTORIA

PEP 163

(Lakes Oil Group, Operator: 100% interest)

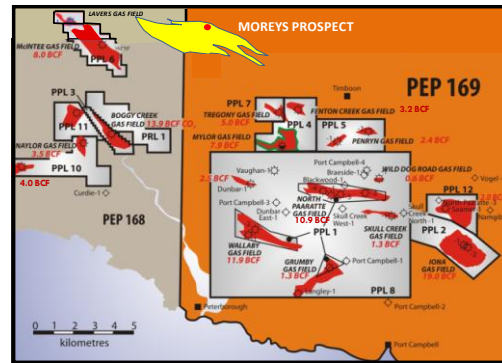
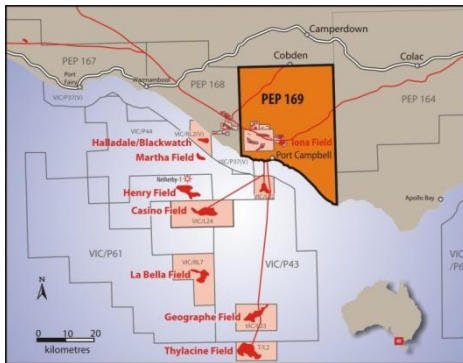
Further mapping has continued in the permit to identify Lower Cretaceous Eumeralla tight gas plays and Pretty Hill targets well from seismic and well data focussed on targeting one of the potential Pretty Hill prospects in the northern part of the permit. Evaluation of other potential drillable targets in the southern region is also being conducted using existing exploration data.

PEP 169

(Lakes Oil Group, Operator: 100% interest)

Armour Energy Ltd will earn a 51% interest in the Permit by funding the drilling and completion of Moreys 1.

PEP 169: Field Activities



PEP 169 permit has existing infrastructure and is connected to eastern Australian gas network. Moreys prospect is located in a proven WNW hydrocarbon fairway.

Drilling Operations

Moreys 1

Moreys 1 is expected to spud-on in late April 2012 using the Hunt #2 rig. The well is located just west of Timboon township in western Victoria and is expected to take 2 weeks to reach a total depth of 2000 metres (TVDSS). The primary objective is the Late Cretaceous Waarre 'C' sands (expected at ~ 1740m TVDSS) with secondary targets in the overlying Flaxman Formation and underlying Eumeralla Formation

Due to steep surface terrain vertically above the prospect, the drilling pad is located approx. 220 metres SW of the vertical position of the structural target. Accordingly, the Moreys 1 well trajectory is deviated using directional steering, so that it intersects the primary objective on the crest of the structure. The first kick-off point for the well trajectory is programmed at 940 metres.

The Moreys Prospect is located on a tilted fault block that straddles the border with adjoining permit PEP 168. It is located along a known WNW trending hydrocarbon fairway with nearby gas fields located to the west and east and an existing gas pipeline within 1 km.

While the structural feature is relatively small, seismic amplitude anomalies at the Flaxmans and Waarre 'C' horizons extend much further than the mapped closure at the Waarre 'C' level.

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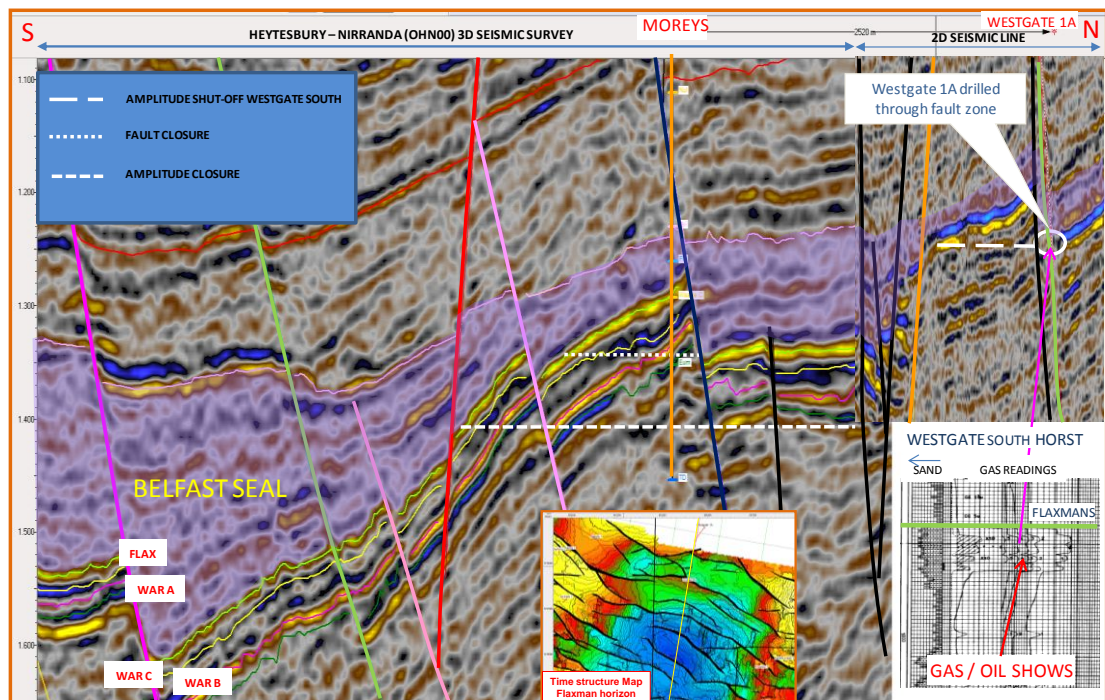


EXPLORATION ACTIVITIES

ONSHORE OTWAY BASIN VICTORIA PEP 169 (Continued) Moreys 1(Continued)

An AVO study completed over the prospect area from the re-processed 3D seismic data has significantly enhanced the prospectivity and decreased the prospect's risk. The prospective resource has been upgraded from being confined to one tilted fault block to having a larger potential upside out to the edge of the amplitude anomaly.

Known gas fields in the vicinity have significant AVO and amplitude anomalies. Similar signatures can be seen at Moreys.



PEP 169: North-South seismic line through Moreys Prospect

Other drillable Waarre prospects have been mapped located near the border of PEP 169 - PEP 168, which are being considered for follow-up drilling.

In addition to the Waarre targets, several other targets across the permit 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 well control data in this area.



EXPLORATION ACTIVITIES

EAGLE OIL DEVELOPMENT PROJECT, CALIFORNIA

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

(Lakes Oil Group: 15% working interest; Operator: Strata-X, Inc.)

Planned Drilling Program: Proposed Shannon 1

This permit contains the Mary Bellochi 1 well drilled in 1986 by Lakes Oil and its joint venture partners. The well flowed oil to surface for several weeks before withering out from, what was believed at the time to be, a mechanical problem rather than oil ceasing to be present. The permit at the time was operated by U.S company Royal Resources and is now operated by Strata-X, Inc.

The proposed Shannon 1 well is to be located close to the Mary Bellochi accumulation. The joint venture group proposes to drill Shannon1 vertically as a near-offset appraisal of the P90 reserves case of 1.2 MMB(oil) and 3.8 BCF(gas). Shannon 1 is to be located close to the Mary Bellochi accumulation.

Drilling is planned, but not confirmed, for the northern hemisphere summer of 2012, pending rig availability.

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 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(168)	(705)
(b) development	-	-
(c) production	-	-
(d) administration	(679)	(1,909)
(e) capital raising	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	3
1.5 Interest and other costs of finance paid	(29)	(60)
1.6 Income taxes (paid)/R&D Refund	-	-
1.7 Net movement in GST suspense account	(37)	22
	(912)	(2,649)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(132)
(d) other investments	-	(25)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	90
(c) other fixed assets	-	19
(d) other investments	-	48
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	(2)	-
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(914)	(2,649)

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1.13	Total operating and investing cash flows (brought forward)	(914)	(2,649)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	2,275
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	1,000
1.17	Repayment of borrowings	(1,000)	(1,000)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		(1,000)	2,275
Net increase (decrease) in cash held		(1,914)	(374)
1.20	Cash at beginning of quarter/year to date	2,561	1,021
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	647	647

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	\$61
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 related entity for the three months to 31 Mar 12 - \$61K

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

Financing facilities available

+ See chapter 19 for defined terms.

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(Net Inflow)	(365)
4.2 Development	-
4.3 Production	-
4.4 Administration	850
Total	485

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	647	2,561
5.2 Deposits at call	150	150
5.3 Bank overdraft	-	-
5.4 Other (provide details)Investments in Listed Companies – Market Value	827	690
Total: cash at end of quarter (item 1.22)	1,624	3,401

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Appendix 5B
Mining exploration entity quarterly report - 31 March 2012

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			
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 (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	7,118,628,039	6,927,128,039		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil	Nil		
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		
7.7 Options (description and conversion factor)	9,850,000	Nil	Exercise price \$0.015	Expiry date 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 (totals only)	Nil	Nil		
7.12 Unsecured notes (totals only)	Nil	Nil		

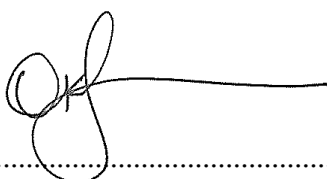
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Compliance statement

- 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: 30 April 2012

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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