



A.C.N. 004 247 214

Lakes Oil N.L.

# Quarterly Activities Report

For the three months ended  
31 March 2016

## Highlights:

- The recent Federal East Coast Gas Inquiry by ACCC recommended that States and Territories “**adopt regulatory regimes to manage the risks of individual gas supply projects on a case by case basis rather than using blanket moratoria.**”
- Lakes Oil is still waiting on recommendations from the Victorian parliamentary inquiry into onshore gas exploration to be handed down. The recommendations are due to be handed down before 8 June 2016. Lakes is hopeful that conventional drilling will be permitted as the inquiry was into unconventional exploration.
- All operational activities in Lakes’ Victorian permits continue to be stalled because of the onshore exploration moratorium.
- During the Quarter discussions took place with an American based company which has extensive experience in the recovery of gas from "Tight" reservoirs in the U.S. These discussions took place on the basis that the U.S company may join LKO in exploration and hopefully production from the Company’s Victorian assets.

After a full and extensive examination of our data, no agreement was concluded, largely due to the current Moratorium and uncertainty as to whether LKO will be allowed to move ahead. One pleasing result from these discussions and examination of LKO’s prospects was their confirmation of our faith in the potential to recover a very large amount of cheap gas onshore in Victoria.

Victoria is currently seeing an increase in gas prices and pressure on jobs as a result of dependence on offshore and interstate gas supplies. Onshore Victorian Gas would be cheap and we believe it can be recovered conventionally. This will result in the creation of many new jobs in the plastics and other industries.

These discussions have taken place in a confidential basis, and Lakes Oil is not able to publicly disclose the other party or the detail underpinning their interest in us. Also, those discussions have taken place in the context of that party’s commercial assessment rather than in the context of Lakes Oil’s own market disclosures.

Having said that, Lakes Oil is conscious of letting the market know that in the event that the Moratorium is lifted, then we expect Lakes Oil to be well placed to resume meaningful discussions with this and other companies who have expressed interest in Lakes Oil and its projects.

personal use only  
www.lakesoil.com.au

Registered Office:  
Level 14,  
500 Collins Street  
Melbourne Vic 3000  
Ph: +61 3 9629 1566



## **Directors**

### *Directors*

Robert J. Annells CPA, F.Fin (*Executive Chairman*)  
Barney I. Berold BCom, MBA  
Andrew Davis LLB(Appointed 9 September 2015)  
Nicholas Mather B.Sc (Hons. Geology) MAusIMM  
Prof Ian R. Plimer BSc(Hons), PhD  
William R. Stubbs LLB  
Chris Tonkin BSc (Hons.),BA,MBA,GAICD,CFTP(Snr)  
(Appointed 9 September 2015)  
Kyle Wightman BComm, MBA, FAICD, CFTP(Snr)  
Robbert de Weijer B.Eng (Mech) (Alternate Director for  
Mr. Mather and Mr W. Stubbs.)

### **CFO/Company Secretary**

Leslie Smith BBS, MBA, GradDipACG CPA, CA(NZ),  
ACSA, ACIS

### **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 4, North Tower Rialto  
525 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

## **Staff and Consultants**

Ingrid Campbell RMIT (Geol), MPESA, MGSA MAAPG  
Tim O'Brien BSc MSc MPESA MSPE MAAPG  
Guy Holdgate BSc (Hons), PhD  
Sarah Rooke  
Hon Theo Theophanous

### **Address for Correspondence**

P.O. Box 300  
Collins Street West  
Victoria 8007

**Email:** [lakes@lakesoil.com.au](mailto:lakes@lakesoil.com.au)

**Web site:** [www.lakesoil.com.au](http://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

**Lakes Oil NL is a no-liability company incorporated in Australia. Unless otherwise stated references to 'Lakes Oil' or 'the company' or 'the Group' refer to Lakes Oil NL and its controlled entities as a whole. Lakes Oil operates a web site which directors encourage you to access for the most recent company information.**

**CORPORATE ACTIVITIES:  
HIGHLIGHTS FOR THE QUARTER**  
**East Coast Gas inquiry by ACCC**

On 22 April 2016, the Federal Government released the report of the Australian Competition and Consumer Commission Inquiry (ACCC) into the competitiveness of wholesale gas prices in eastern and southern Australia.

“While market conditions have been difficult, it is important that **new supply comes online and that new opportunities are developed.** Trading markets are developing and the Australian Energy Market Commission and the Australian Energy Market Operator are working towards further improvements in market design. **More supply, new suppliers and an increased diversity of supply sources are crucial for the future competitiveness of, and pricing in, the gas market,**” ACCC Chairman Mr Sims said.

The report makes a number of recommendations that the COAG Energy Council and State and Territory governments can consider to alleviate gas market issues, particularly for industrial users:

1. Governments should consider **adopting regulatory regimes to manage the risks of individual gas supply projects on a case by case basis rather than using blanket moratoria.** Governments should take into consideration the significant effects that moratoria and other restrictions on gas development may have on gas users.
2. Gas reservation policies should not be introduced, given their likely detrimental effect on already uncertain supply.

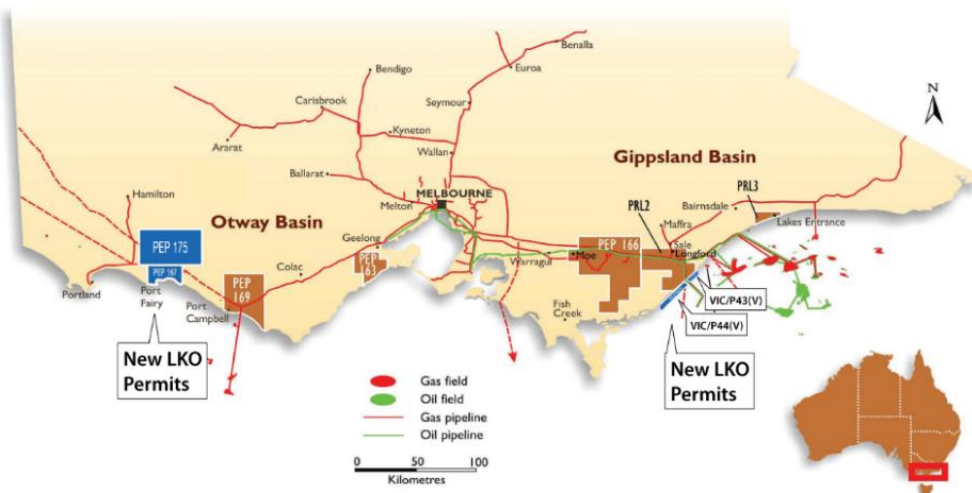
Refer to the following website for the full ACCC Report:

[www.accc.gov.au/system/files/East%20Coast%20Gas%20Inquiry%20key%20findings\\_0.pdf](http://www.accc.gov.au/system/files/East%20Coast%20Gas%20Inquiry%20key%20findings_0.pdf)

**Current Government position on onshore exploration**

- Lakes Oil is still waiting on the State government decision on onshore exploration activity in the State following the Victorian State Inquiry into unconventional exploration that was held late last year.
- No recommendations have been made to date, but are expected to be handed down by 8 June 2016. We are hopeful that conventional exploration will be permitted under the new rulings as the inquiry was into unconventional exploration.
- The onshore exploration ban continues to severely impact on Lakes Oil’s ability to conduct exploration activities across the State and sends a very negative message to industry and business in Victoria. Nevertheless, the Company is continuing to work up its portfolio in Victoria, in anticipation of the State lifting its onshore exploration ban on conventional drilling.

A further 12 months’ extension and suspension application been submitted for each permit.



**Lakes Oil’s Victorian permits**

## EXPLORATION ACTIVITIES

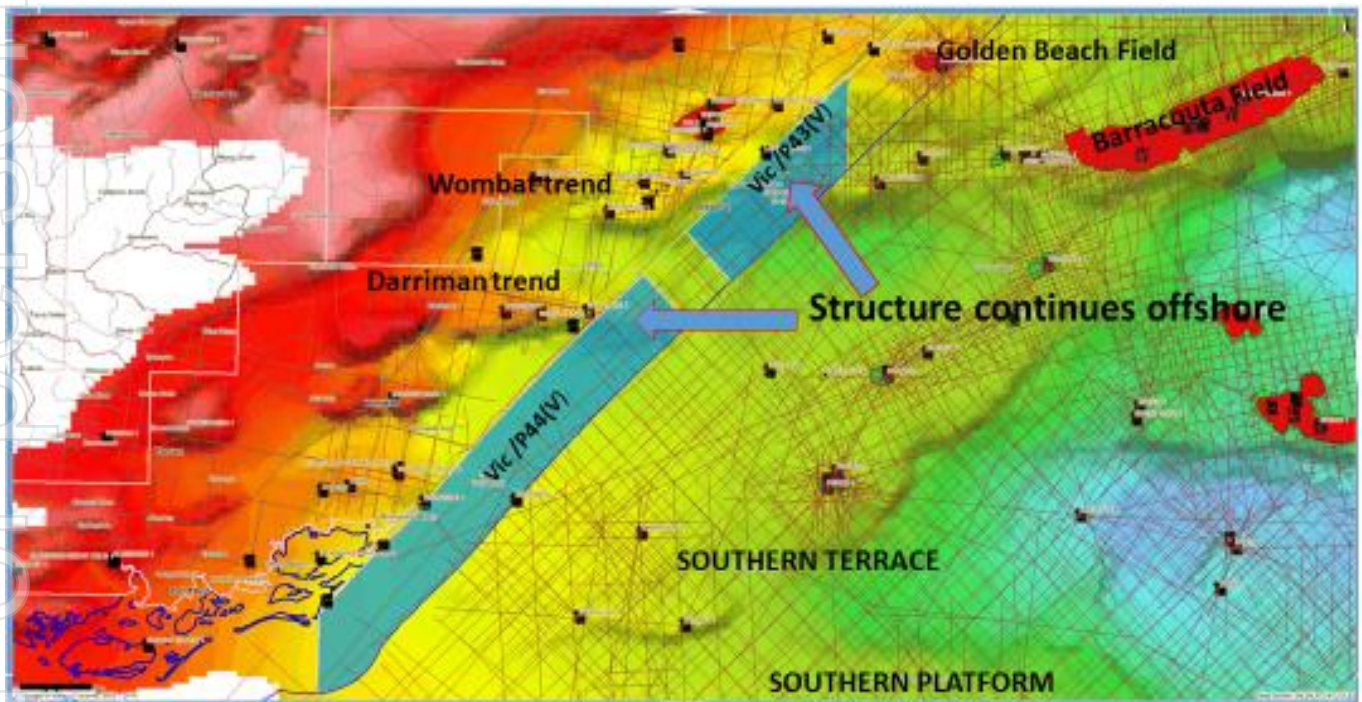
Lakes Oil is still waiting on the State government decision on onshore exploration activity in the State following the Victorian State Inquiry into unconventional exploration that was held late last year. Exploration in Lakes' onshore acreage in Victoria is affected by the ongoing moratorium on exploration and no new exploration activities are reported for this quarter for the Victorian onshore permits. For this reason, the technical and exploration activities to date for , and details of the Group's interest in, each permit are given most recently in the Quarterly Report for the December 2015 period and the Financial report for the half-year ended 31 December 2015 for each of; PRL2, PRL3, PEP166, PEP163, PEP169, PEP167 and PEP175.

This is a very disappointing situation as the Company believes is has onshore assets that require ongoing exploration and potential development in both the Otway and Gippsland Basins. Lakes believes that development of these potentially significant hydrocarbon resources would be pivotal to providing affordable, clean energy to the State and will have a considerable impact on local industries.

### Lakes Oil's Victorian nearshore permits VIC/P43(V) and VIC/P44(V) – NEARSHORE GIPPSLAND BASIN (Lakes Oil, Operator, 100% interest in the two permits)

Examination of the existing geophysical and well data is continuing. In VIC/P43(V), two seismic survey lines parallel to the coast provide tie lines to the Golden Beach field located several kms to the east within the coastal strip.

Both of the Lakes' areas are believed to be prospective for conventional oil and gas plays. Gas and oil trapped in top-Latrobe and intra-Latrobe formations are potentially present with migration of oils displaced from the large fields further offshore often being trapped in small near-shore fields. The Golden Beach gas field located immediately east of the VIC/P43(V) is an example of this type of up-dip play (see location below).



Map of top Latrobe structure shows the proximity of VIC/P43(V) to the offshore Gippsland producing fields and the extension of major structural trends from onshore to offshore from the Wombat trend and the Darriman-Salt Lake structural trend (in Vic/P44(V)).

In VIC/P43 (V), detailed airborne gravity data and structural mapping indicates that structuring offshore is continuous with the Wombat field onshore in PRL2, which would upgrade both the conventional Latrobe and unconventional Strzelecki potential along that trend.

In VIC/P44(V), seismic mapping on top Strzelecki structure indicates that the onshore Darriman structure extends offshore into the permit and therefore indicates good potential for targets in the acreage. The Company is still waiting on approval for suspension and extension of the permits.



## ATP 642P and ATP 662P – EROMANGA BASIN

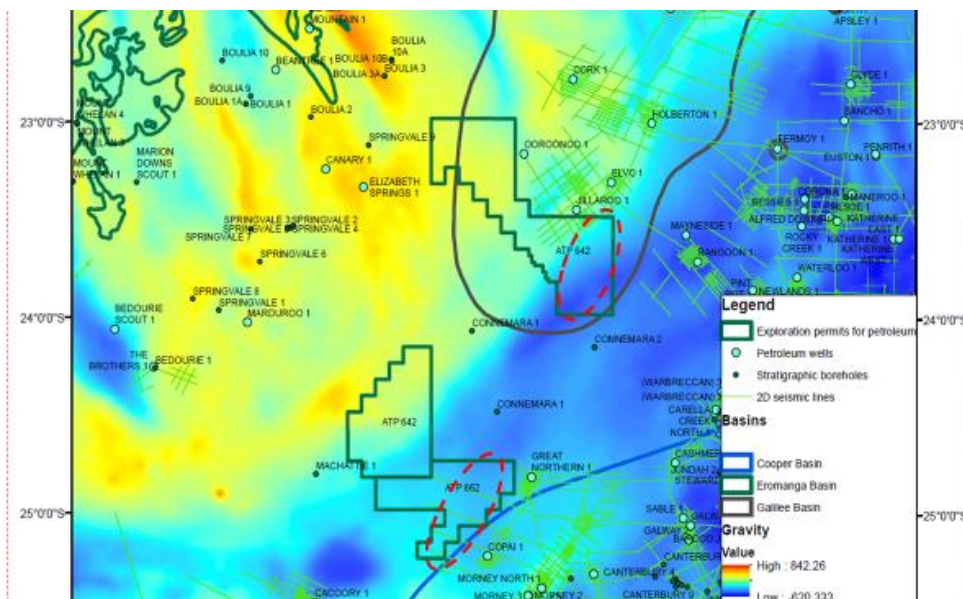
(Lakes Oil, Operator, 100% interest)

Examination of previous geological and geophysical investigations continued in order to build up our data base and understanding of the hydrocarbon prospectivity of the acreage. The ATPs cover 10,000 sq.km (2.6 million acres) on the northern flank of the Cooper/Eromanga Basins.

The Company was granted a variation of the work program for the coming year in order to more effectively map large areas using airborne methods, replacing the original work program. The proposed multi-spectral survey would be able to map much larger areas remotely and thus provide a more effective targeting tool than a restricted ground gravity or seismic survey at this early stage of exploration. In addition, the proposed survey would be less time consuming, a factor needed to be considered in ground based survey in this remote area.

The proposed exploration program is to conduct a cost effective regional survey using remote-sensing multispectral fracture analysis and geochemical sampling to identify potential hydrocarbon leakages sites and calibrate these with known hydrocarbon signatures in the vicinity. These results would provide the basis for identifying the areas to be the focus of later seismic and airborne gravity acquisition to enable the identification of potential leads and prospects. The timing of this work is planned for mid-2016, subject to weather conditions. Quotes are currently being assessed.

The main play types identified in these permits are: a) conventional oil play on the northern flank of the Cooper Basin with long range oil/condensate migrating from the Permian aged source rocks to the south east and mixing with possible Mesozoic sourced oil and: b) Unconventional Toolebuc Formation shale oil/gas play relatively shallow depths in the Eromanga Basin.



Regional gravity map of SW Queensland showing the location of ATP 662P and ATP 642P in relation to gravity lows, indicating sedimentary thickening trending NNE (in blue shading) and the proposed remote sensing survey (in red) that is orientated to intercept potential hydrocarbons migrating along pathways from the Cooper Basin and deeper parts of the Eromanga Basin. The limited seismic survey lines in Lakes' acreage are shown in pale green. Some lines extend into the southern parts of the Lakes' permits, but the data is widely spaced and not dense enough for prospect mapping.

## **EAGLE PROSPECT - ONSHORE, CALIFORNIA, USA**

*(Lakes Oil: 17.97% interest, Operator: Strata –X Inc.)*

### **Proposed Shannon-1**

This permit contains the Mary Bellochi-1 well drilled in 1986 by Lakes 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 is now operated by Strata-X, Inc. The proposed Shannon-1 well is to be located close to the Mary Bellochi-1 well location. The joint venture partners propose to drill the vertical Shannon-1 well as a near-offset appraisal of the P90 reserves case of 1.2 MMB (oil) and 3.8 BCF (gas). Drilling is planned, but not confirmed, pending rig availability.

## **VICTORIAN COAL EXPLORATION LEASES**

*Commonwealth Mining Pty Ltd: a wholly owned subsidiary of Lakes Oil NL*

Commonwealth Mining Pty Ltd has 3 coal exploration leases in the Gippsland Basin.

The areas are: EL 5333, EL 5334 and EL 5394. Lakes Oil has a 100% interest in each of these exploration leases.

A renewal application has been submitted for EL 5333 with a change of focus to heavy mineral sands.

No other exploration activities have taken place in this quarter.

These areas have been acquired to investigate the resource potential of economically recoverable brown coal resources. The three leases have JORC exploration potential coal tonnage estimates calculated by independent consultants.

These leases are **not being explored for coal seam gas resources.**

*I. B. Campbell.*

**Ingrid Campbell. Chief Geologist.**

**Signed on behalf of Lakes Oil N.L.**

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

**Lakes Oil NL**

ABN

62 004 247 214

Quarter ended ("current quarter")

31 March 2016

### 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	4	12
Receipts from joint Venture Partners	-	-
1.2 Payments for (a) exploration & evaluation	(79)	(320)
(b) development	-	-
(c) production	-	-
(d) administration	(700)	(2,194)
(e) capital raising	-	(5)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	20
1.5 Interest and other costs of finance paid		
-Other	(4)	(17)
1.6 (Income taxes paid)\ R&D Refund	-	1,035
1.7 Net movement in GST suspense account	1	9
<b>Net Operating Cash Flows</b>	<b>(774)</b>	<b>(1,460)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
(d) other -	-	-
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)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(774)</b>	<b>(1,460)</b>

+ See chapter 19 for defined terms.

For personal use only

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(774)	(1,460)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, converting notes, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(1,000)
1.18	Dividends paid	-	-
1.19	Interest paid on converting notes	-	(211)
	<b>Net financing cash flows</b>	-	(1,211)
	<b>Net increase (decrease) in cash held</b>	(774)	(2,671)
1.20	Cash at beginning of quarter/year to date	1,635	3,532
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter – including \$574K held on trust by Equity Trustees Ltd for Converting Note Interest Payments</b>	861	861

### Payments to directors of the entity, associates of the directors, 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	173K
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	Salary and director's fee paid to Executive Chairman for 3 months to 31Mar16 \$86K. Directors' fees paid to other directors during the 3 months to 31Mar16 \$87K

### 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 Drawn down in April 2016	1,000	Nil
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation expenditure Inflow from tax refund for research & development activities – <b>estimated</b>	(50) 250
4.2 Development	-
4.3 Production	-
4.4 Administration – including \$188k of interest on Converting Notes paid from funds held on Trust	(888)
<b>Total</b>	<b>(688)</b>

### 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 –	136	910
Cash – held on trust by Equity Trustees Ltd for Converting Note Interest Payments	574	574
<u>Total Item 5.1</u>	<u>710</u>	<u>1,484</u>
5.2 Deposits at call	151	151
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>861</b>	<b>1,635</b>

+ See chapter 19 for defined terms.

For personal use only

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

#### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

#### 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	<b>Preference securities</b> (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	11,658,453,039	11,658,453,039	

+ See chapter 19 for defined terms.

## Mining exploration entity and oil and gas exploration entity quarterly report

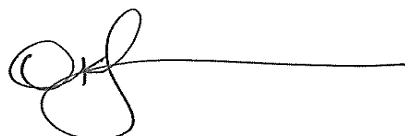
7.4	Changes during quarter (a) Increases through issues/conversion of convertible debt  (b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	376,646	376,646	\$10 per Note	\$10 per Note
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				-
7.7	<b>Options</b> <i>(description and conversion factor)</i>	58,000,000	Nil	<i>Exercise price</i> 0.5 cents	<i>Expiry date</i> 8 January 2021
7.8	Issued during quarter	58,000,000	Nil	0.5 cents	Unlisted options over fully paid shares granted to (non-director) employees pursuant to their respective remuneration packages. Options were vested on issue
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

For personal use only

## 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 5).
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:  
(Company secretary)  
Date: 29 April 2016

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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.

---

+ See chapter 19 for defined terms.