



A.C.N. 004 247 214

Lakes Oil N.L.

ASX
Announcement
14 August
2009

www.lakesoil.com.au

LAKES OIL N.L.

RESOURCE VALUATION INCREASE & UPDATE

On 1 July 2009, we released our gas-initially-in-place contingent resource estimate of 1.6 tcf with a total contingent recoverable resource of 683 bcf (P50 basis), compiled by Gaffney, Cline and Associates for the Wombat, Trifon, Gangell and Seaspray structures in PRL 2, onshore Gippsland, Victoria.

Lakes Oil N.L has now received an Asset Evaluation completed by Palliser Strategic Management for the above assets.

This evaluation will now allow shareholders to understand how the company has grown with its strategic gas/oil drilling/fracing programs.

These assets are now valued (P50 basis) at between \$104 million and \$217 million (see table below).

Note that the current market capitalisation of Lakes Oil N.L (including all of its exploration assets as well as cash) is approximately \$44 million.

The following table is a summary valuation contained in the Asset Evaluation Report compiled by energy consultant group Palliser Strategic Management of Melbourne*:

PRL 2 Wombat, Trifon, Gangell and North Seaspray Contingent Gas Resources.

Insitu Resource Value Range

Insitu Gas Resource Range for the Wombat, Trifon, Gangell and North Seaspray fields.		
Values – A\$ million		
Case	P50	P10
	2C	3C
Estimated Ultimate Recovery (BCF)	683	920
Domestic Gas Market	104-217	112-293
Accelerated Growth Price Scenario	160-217	185-293

Note: The low range of values relate to entry in the gas market is based on an assessment of current assessments of market risks and pricing conditions starting from 2015:-

Domestic gas sales market Gas price in 2009 \$3.32/GJ and in 2015 \$5.03/GJ in nominal dollars. Escalation averages 2-3% real growth to 2020 and then 3% real plus CPI.

Accelerated Growth Price Scenario with LNG projects making material and "step-wise" changes to demand and pricing by the middle of the 2010-2020 decade when LNG projects proceed past FEED and FID. This price forecast matches the real prices with Path A in the Grant Samuel - ConocoPhillips report. Gas price in 2009 \$3.61/GJ and in 2016 \$8.23/GJ in nominal dollars. Nominal dollars adjusted by CPI.

The high range values relate to implied risk adjusted trade values for possible corporate M&A activity with premiums to acquire significant resources based on transaction values for CSG 3P resources from LNG form 2007 to 2009.

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Palliser Strategic Management has consented in writing to the valuation aspects of this announcement being issued in the form and context in which it is issued.

Wombat 2 – Update

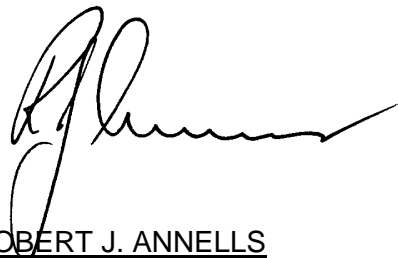
The well continues to produce gas along with frac fluid, (approximately 8-12 barrels of frac fluid per day) following the re-fracturing operation. We must now recover the remaining portion of the 1,800 barrels of frac fluid that were injected into the formation in order to allow unimpeded gas flow to the surface.

To assist in the frac fluid recovery, we have on several occasions injected nitrogen to re-pressure the formation. These 'clean-outs' have increased gas coming to surface and flows up to 1.8 million cubic ft per day have been recorded. However, this flow is now a constant rate of 600,000 – 700,000 cubic ft per day on a 24/64" choke as the gas is presently believed to be restricted by the frac fluid.

We now plan to expedite the increase of the flow of frac fluid to the surface to obtain a higher sustainable gas flow. Ely and Associates Inc (experts in tight gas recovery in the USA) have been engaged to assist with this operation. They have designed a treatment which includes a mixture of chemicals together with a much larger volume of nitrogen, which will be injected into the formation.

This, we believe, will help break down any 'gel' remaining from our original frac, allowing the gas to flow more freely to the well bore. The combination of chemicals and the necessary pumping equipment are currently being assembled on site and it is expected the 'chemical wash' is planned to take place next Tuesday, 18 August.

Lakes Oil N.L.



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INGRID CAMPBELL

Chief Geologist

*Lakes Oil N.L commissioned Palliser Strategic Management to provide an independent asset evaluation in PRL2 based on implied values associated with preliminary commercialisation plans for this underdeveloped unconventional gas resource. The valuation is based on risk adjusted values for this insitu resource which have been calculated from project cashflow modelling and implied trade sale values from corporate activity for the purchase of CSM 3P resources in eastern Australia in 2008/2009.

Lakes Oil N.L.
'an unconventional oil & gas company'
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