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**Lakes Oil N.L.****29 March, 2011**

## **LKO TO SEARCH FOR COAL - FINDS OIL IN SHALE**

**ASX**

**Announcement  
and Media  
Release**

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**www.lakesoil.com.au**

Lakes Oil's 100 per cent owned subsidiary, Commonwealth Mining (CM), has lodged two exploration license applications containing what is believed to be extensive brown coal deposits in the Latrobe Valley region in Gippsland, Victoria.

Directors of LKO said today that in addition to their 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 Oil is of the opinion that in the past too much attention was paid to shutting down production of electricity in the Valley because of CO<sub>2</sub> emissions instead of looking at how this unique Victorian asset can be better developed, and at the same time reducing the carbon footprint. Lakes Oil is in a strong position to achieve both results.

Now that Lakes has Beach and Somerton Energy earning up to 50 per cent in PRL 2 by spending up to \$50m (they have also assumed operatorship of PRL 2), Lakes Oil 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 CO<sub>2</sub> emissions, the Valley, with its large supply of brown coal and potentially natural gas, has been overlooked.

LKO's Chairman, Mr Rob Annells, said today that there had previously been a negative approach towards power for Melbourne using brown coal as a resource when it is still one of the cheapest forms of producing electricity in the world.

Lakes has a unique opportunity to re-look at the Latrobe Valley as a major power source for Victorians as it will now be a player in coal and methane. As well Lakes Oil, through its 15.91 per cent owned associate Greenerth Energy Ltd (GER), has access to the geothermal potential of the area, remembering that the discovery of hot water by Lakes at Trifon 2 in 2004 was instrumental in the Geothermal Act being proclaimed in 2005.

Greenerth Energy in recent times has moved into Concentrated Heat and Power (CHP), Solar Technology (ST) and is about to construct a pilot demonstration solar plant in Port Melbourne. Additionally, Greenerth Energy is involved in assessing and developing technology which has the potential to both use and substantially reduce CO<sub>2</sub> emissions from fossil fuelled power sources.

So, for the first time, one 'group' in Victoria is in a position that could bring together all the pieces required to build a 21<sup>st</sup> century power station designed to produce more power with fewer emissions – rather than a negative shut down policy.

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## OIL PRODUCING SHALE – NEW UNCONVENTIONAL PLAY

Mr Annells said that as a bonus, during CM's assessment of coal interests in the Valley, a stratigraphical core hole was drilled into and below the Latrobe formation seeking deeper Cretaceous coal formations. This hole encountered interbedded carbonaceous shales and coal which are **currently generating oil**.

"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" he said.

"What we have discovered constitutes a significant shift in the understanding of the Gippsland Basin and will introduce new investment into both onshore and offshore plays."

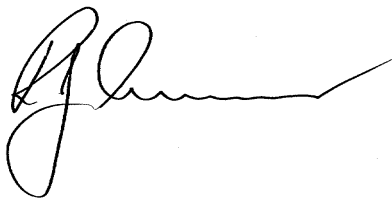
Mr Annells said that recent activities in the US recovering oil from oil producing shale had been very successful and LKO would move quickly to evaluate its latest discovery of oil being generated in shale.

### HOLDGATE 1

Lakes Oil also advises that the drilling pad for Holdgate 1 is now in place in PEP 166. The company is currently negotiating for a rig to drill the well subject to funding in the second quarter of 2011.

The geological objective of the well is for an oil and gas play on the Baragwanath Anticline in PEP 166 targeting tight gas in the Strzelecki Group present in the Wombat well in PRL2 and the nearby Loy Yang-2 well in PEP 166.

However, in view of the discovery of oil producing shale in the northern portion of PEP 166, LKO is currently assessing whether it should first drill a well to follow up that discovery and better understand these shales where the basement is closer to the surface in the northern parts of the permit.



**Robert J. Annells**  
Chairman



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