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Lakes Oil N.L.

**ASX
Announcement
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www.lakesoil.com.au



Registered Office:
Level 14,
500 Collins Street
Melbourne Vic 3000
Ph: +61 3 9629 1566
Fax: +61 3 9629 1624

LAKES OIL N.L.

BEACH ENERGY TO SPEND UP TO \$50M IN LKO'S PETROLEUM LEASE (PRL2)

Beach Energy has had made an offer to Lakes Oil NL to acquire up to 50 per cent of its onshore gas lease (PRL2) located near Sale, in the Gippsland Basin, Victoria.

The board of Lakes Oil has accepted this offer which is now subject to due diligence and approval of Beach's board of directors.

The basis of the agreement is on a two stage entry:

Stage one

Beach will fund 100 per cent cost of flow and fracture tests in Wombat 4 and Boundary Creek 2 wells which have been drilled and cased ready for re-entry by Lakes Oil.

Beach can earn up to 15 per cent interest in PRL2 by expenditure of \$10m in stage one. Should the expenditure not reach \$10m the amount earned by Beach in PRL2 will be reduced pro-rata to the nearest percentage point.

Stage two

Any monies not spent in stage one can be carried over into stage two. Stage two enables Beach at this point to increase its interest in PRL2 to a maximum of 50 per cent by the expenditure of up to a further \$40m, plus the balance of stage one.

Again, in stage two, should expenditure not reach \$40m, then the interest earned will reduce proportionately to a lower level.

(The \$50m commitment by Beach is based on matching LKO's expenditure to date in PRL2, estimated to be approximately \$50m.)

Beach will become the operator of PRL2 subject to a yet to be arranged farm-in

"I am delighted to welcome Beach Energy into PRL2." Lakes Oil's Chairman Mr Rob Annells said today.

"Beach have demonstrated successful entry in unconventional exploration in Queensland and more recently in the Cooper Basin." He said.

"They understand tight reservoirs and they are now one of the leaders in this new technology in Australia.

"Beach's entry into PRL2 re-enforces Lakes' confidence in the establishment of this valuable onshore energy asset and we believe this will open a new chapter in the development of Victoria's newest petroleum resource."

Lakes Oil N.L.

ROBERT J. ANNELLS
Chairman
Mob: 0416 130 740

Lakes Oil N.L.
'an unconventional oil & gas company'
www.lakesoil.com.au