



A.C.N. 004 247 214

Lakes Oil N.L.

ASX

**Announcement and
Media Release**

8 April 2020

www.lakesoil.net.au

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Lakes Oil N.L. ASX Announcement

Corporate Update

Highlights:

- *Lakes Oil continues with endeavours to support resumption of share trading.*
- *Lakes Oil has issued Convertible Notes to the value of \$3.8m since December 2019.*
- *Lakes Oil holds significant, independently verified, Contingent and Prospective Resources of gas onshore in Victoria and will prepare for resumption of exploration activity as soon as possible.*
- *Term of Lakes Oil's exploration tenements will be reset to 5 years when conventional onshore exploration is allowed to resume at mid-2021.*

In light of numerous approaches from shareholders the Directors of Lakes Oil NL (**Lakes Oil** or **Company**; ASX:LKO) are pleased to provide the following information by way of a general update of important corporate matters.

Trading Suspension.

The Company is continuing with endeavours to satisfy the ASX that trading of LKO shares should be allowed to resume. In association with these endeavours, the Company is also aiming to complete its now-overdue 2019 half-yearly report as soon as possible.

Since December 2019, the Company has successfully raised \$3.8m through issue of Convertible Notes. The majority of this was utilised to fund costs associated with the Nangwarry-1 exploration well in South Australia.

Resumption of Victorian Exploration

While it is disappointing that the Victorian Government has extended by one year its onshore, conventional exploration ban, it is at least encouraging that:

- the gas production potential of onshore Victoria has been recognised;
- there is now bi-partisan agreement that conventional exploration is safe and should be allowed; and
- in extending the ban by one year the Victorian Government will also be reinstating a 5-year term for all of the Company's exploration acreage.

The Victoria Gas Program has published medium estimates of prospective (yet to be discovered) onshore gas resources of 470 PJ in the Otway Basin and 77 PJ in the Gippsland Basin. In contrast, Lakes Oil already holds a contingent (that is, already discovered) gas resource exceeding 500 PJ in Gippsland (see attachment 1) and a multi-Tcf prospective gas resource in the Otway (see Company's 2019 Annual Report), both estimates being independently verified with 50% probability.

Directors remain confident regarding the potential of the Company's onshore Victorian exploration acreage and will prepare for a resumption of exploration activity as soon as possible. The initial focus will be on drilling of the conventional Wombat-5 well, a lateral well specially designed on the basis of know reservoir data, to commercialise the Wombat gas field and the conventional Otway-1 well, a vertical well located adjacent to the Otway and Iona gas plants. The Company will consider opportunities for farm-out of exploration prospects should doing so deliver the best outcome for shareholders.

Nangwarry

The Company is investigating the potential for commercial development of the Nangwarry-1 gas well. It is envisaged that comprehensive flow-testing of the well will



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take place around mid-year although detailed plans have yet to be finalised and timing will be dependent on the availability of equipment and the restrictions in place as a result of COVID-19.

For and on behalf of the Board of Directors and for further information.

Richard Ash

Chairman

Lakes Oil NL

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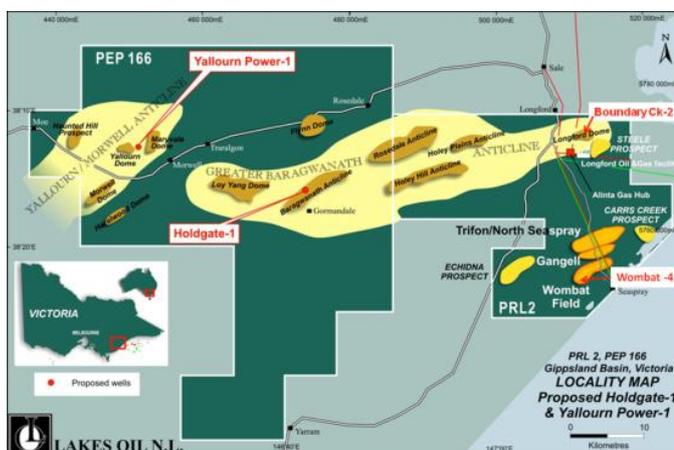
Attachment 1

Lakes Oil NL: Wombat Gasfield

Background

The Wombat Gasfield is located within PRL2, onshore in the Gippsland area. It is Lakes Oil's most progressed development, with four exploration wells historically completed and with independently certified gas resources in place.

The Wombat project targets the massive Strzelecki Formation, from which gas can be produced by conventional means (ie, without need for reservoir stimulation).



Using known data from historic drilling, Lakes Oil's next proposed well, Wombat-5, has been specially designed to demonstrate that the gas already shown to exist can be commercially produced. The Wombat-5 well will be of conventional design, drilled laterally through the target formation. Lakes Oil will drill the well as soon as approval can be secured.

Potential

The resource potential of the Wombat Gasfield has been independently assessed by Gafney Cline and Associates (**GCA**), a global consulting group. GCA estimates the Wombat gasfield contains a contingent recoverable gas resource of 329 Bscf at the 50% probability level, of which around 250 Bscf is recoverable by conventional means. The Trifon and Gangell Gasfields (north of Wombat) have further, conventional potential of around 280 Bscf (based upon GCA estimate).

GCA's modelling of the Wombat-5 well, prepared using known data, indicates the well should produce around 10 TJ/d.

The overall potential of the Wombat, Trifon and Gangell Gasfields is of the order of 20 PJ/a, equivalent to 10% of Victoria's gas demand.

Timing

Planning for the Wombat-5 well was completed in 2012, prior to introduction of the present onshore gas exploration moratorium. The well can be drilled at short notice.

If the production potential of the Strzelecki Formation is proven, gas processing and compression facilities will need to be installed to deliver gas to market. Establishment of this infrastructure will take around 18 months, at a cost of the order of \$50m. Up to 12 additional gas wells (drilled from just three wellsites) would also need to be drilled over the life of the project to deliver 20 PJ/a of gas to Victorian households and industry.

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Attachment 2

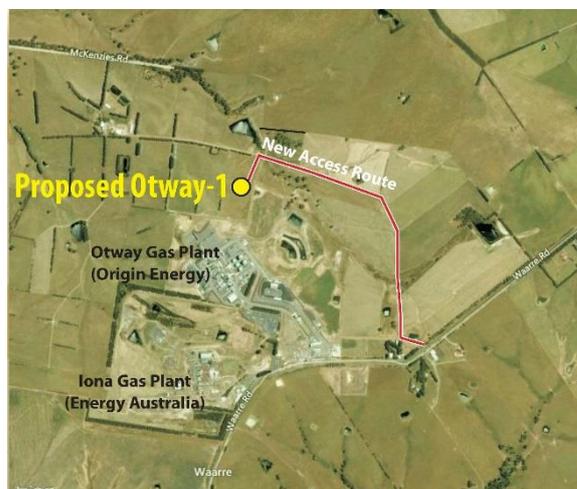
Lakes Oil NL: Otway Gasfield

Background

The Otway Gasfield is located within PEP169, onshore in the Otway Basin near Port Campbell.

Lakes was ready to drill the Otway-1 well in 2013, before the Victorian onshore exploration moratorium was introduced.

The Otway-1 well will target conventional gas production from both the Waarre Sandstone (from which gas has historically been produced) and the underlying, but to date under-explored, Eumeralla Formation.



Potential

The Waarre Sandstone is very productive, with gas flow rates up to 50 TJ/d achieved at other nearby locations.

The Eumeralla Formation typically contains gas and, at the Skull Creek-1 well location (nearby to Otway-1), flowed gas at a rate of 9 TJ/d.

Drilling of the Otway-1 well can be expedited. Since the well is just 400 metres north of the existing Iona Gasfield (Victoria's largest onshore Gasfield to date, now used for storage of gas), production of gas from the well can be quickly and easily brought on line.

Timing

Planning for the Otway-1 well was largely completed prior to introduction of the Victorian onshore exploration ban. The Otway-1 well can be drilled at short notice.

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