

Summary

Lakes Oil Proposal to Government to Overcome Victorian Energy Crisis

Contrary to the disingenuous proclamations of the Victorian Government, Victoria has a wealth of onshore, conventional natural gas ready for commercialisation and production. Lakes Oil has demonstrated beyond doubt, and in accordance with strict international resource classification criteria, that producible resources of conventional gas exist onshore in Victoria.

The Victorian Government is presently preventing the State's onshore conventional gas resource from being developed. The Government is doing this without any valid reason, and despite the fact that exploration activity carried out in fulfillment of existing tenement obligations is specifically allowed in accordance with the State's recently amended petroleum legislation.

If development of the State's conventional gas was allowed then, instead of facing a gas-shortage driven economic disaster, the State, its people and its industry could be continuing to enjoy the energy-advantage upon which the State's historic success is based.

Lakes Oil has multiple onshore conventional gas prospects. Two in particular, the Wombat gasfield and the Otway-1 gas well, could be brought on line quickly and at low-cost to supply around 10% of Victoria's annual gas needs. This alone would potentially alleviate the gas supply crisis presently threatening the State.

A third prospect, the company's Portland Energy Project, is estimated to contain in excess of 3 trillion cubic feet of conventional gas – enough to meet State requirements for 15 years. The Portland Energy prospect has been safely drilled historically, at a time when oil, not gas, was targeted, and has been shown to contain gas.

Since onshore conventional gas is very low cost relative to offshore gas or gas pipelined over long distances from interstate, Victorian industry and householders will enjoy massive benefits from its development. So too will landowners, communities and, more generally, all Victorians.

Lakes Oil has made a firm commitment to pay a percentage of gas sales revenue to landowners upon whose land, and to communities within which, gas production activities are carried out. This payment is in addition to royalties that will be paid to Government, access fees that will be paid to landowners and community benefits flowing from goods and services sourced locally by Lakes Oil. Lakes Oil's central (50% probability) estimate of the royalties it would pay to Government through development of the projects referred to above is \$69 million per year, totaling \$1.7 billion over 15 years.

Lakes Oil has presented a proposal to the Victorian Minister for Resources for quick, cooperative development of Victoria's enormous onshore conventional gas resource to solve the State's energy crisis and deliver huge benefits for all Victorians.