



A.C.N. 004 247 214

Lakes Oil N.L.

www.lakesoil.com.au

Quarterly Activities Report

For the three months ended
30 June 2008

Registered Office:
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CORPORATE INFORMATION

Directors

Robert J. Annells CPA, F.Fin (*Executive Chairman*)
Barney I Berold BCom, MBA
Peter B. Lawrence BCom, MBA, FCPA
James H. Y. Syme LLB

Company Secretary

Raymond E South FCA, FCIS, FCPA

Chief Financial Officer

Vicki Kahanoff BBus CPA

Registered Office

Level 11
500 Collins Street
Melbourne Victoria 3000

Telephone: (03) 9629 1566

Facsimile: (03) 9629 1624

Stock Exchange

Australian Stock Exchange Limited
Level 3 530 Collins Street
Melbourne Victoria 3000
ASX code: LKO

Auditors

Pitcher Partners
Level 19 15 William Street
Melbourne Victoria 3000

Bankers

Westpac Banking Corporation
360 Collins Street
Melbourne Victoria 3000

Technical Staff and Consultants

Ingrid Campbell RMIT (Geol), MPESA, MGSA
Xiaowen Sun BSc (Hons), MSc PhD MAAPG
Guy Holdgate BSc (Hons), PhD
Jim Macadam BSc P.Eng

Address for Correspondence

P.O. Box 300
Collins Street West
Victoria 8007

Email: lakes@lakesoil.com.au

Web site: www.lakesoil.com.au

Legal Advisors

Baker & McKenzie
Rialto Level 39
525 Collins Street
Melbourne Victoria 3000

Share Registry

Computershare Investor Services Pty. Ltd.
Yarra Falls 452 Johnston Street
Abbotsford Victoria 3067

The company operates a web site which directors encourage you to access for the most recent information on the Lakes Oil Group.



Corporate Developments

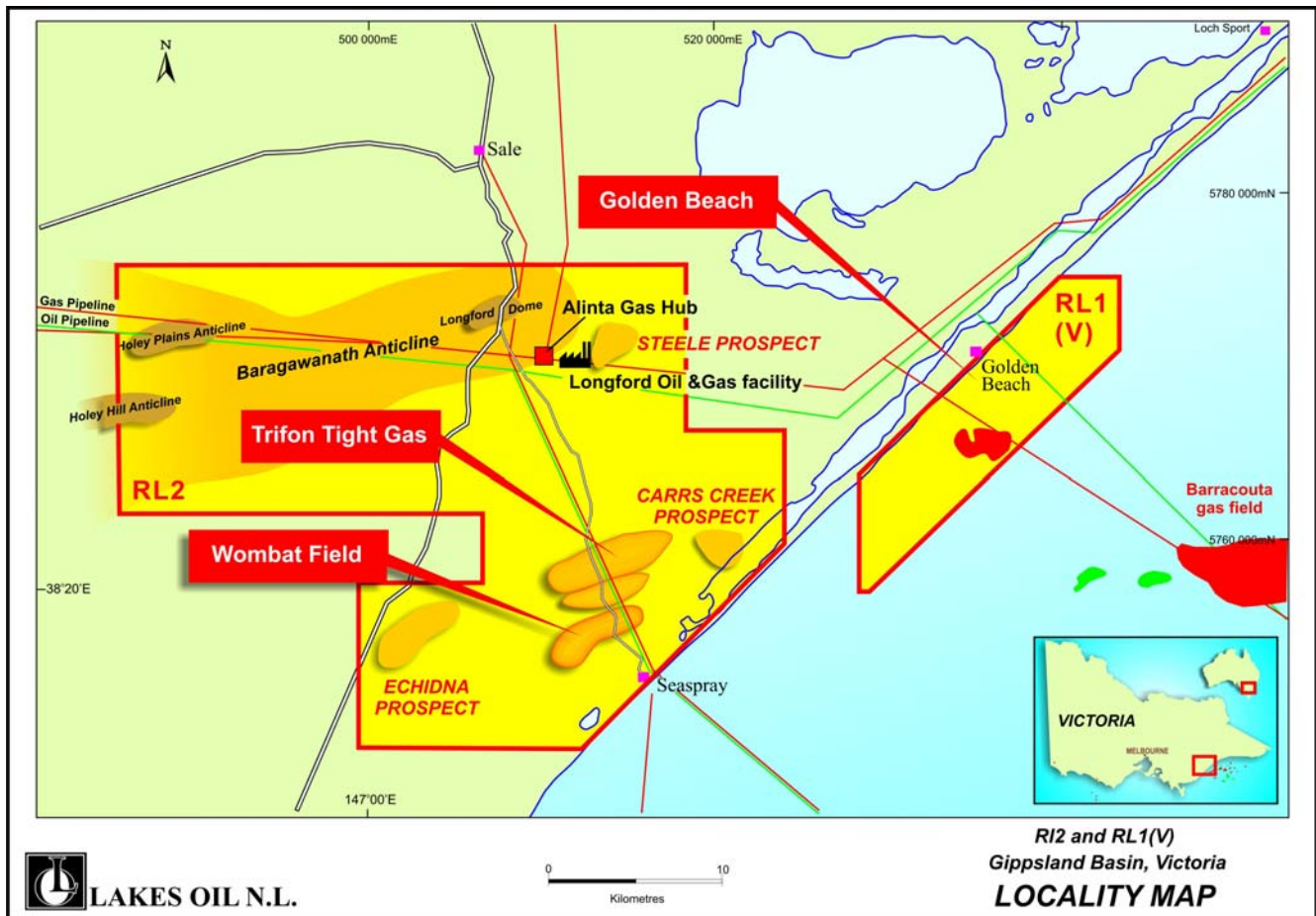
Lakes Oil announced at the end of July that it had signed a non-binding terms sheet with Cape Energy SA in respect of a potential business combination of the two companies.

The intention of the two companies is to combine the Golden Beach asset with Lakes Oils' tight gas plays. Shareholders will be kept informed of the progress of negotiations.

Lakes Oil has engaged an independent consultant to conduct an assessment of possible contingent reserves of the Wombat field.

This evaluation is currently being undertaken and includes 3D seismic data. This report will provide an initial assessment which can be finalised once Wombat 4 is drilled.

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LAKES OIL N.L.



Exploration Activities

RL 2 – Onshore, Gippsland Basin

(Lakes Oil Group, Operator: 100% interest of overall permit. (Trifon Block – Lakes Oil Group, Operator: 50% Jarden Corporation Australia Pty. Ltd. 50%) Roma Petroleum NL has a 5% over-riding royalty)

Interpretation of the 3D seismic data acquired over the Wombat field continued during this quarter for several weeks and was completed at the end of June. Evaluation of the new data will enable us to locate Wombat 4 in its optimum position. Drilling of this well is planned for the next six months, depending on rig availability.

Lakes Oil commissioned a third party independent expert to evaluate our Wombat Fields resources following the 3D survey. We expect this work to take about 10 weeks.

RL 3 – Onshore, Gippsland Basin (Lakes Oil Group, Operator: 100% interest)

The Company has decided to drill a shallow well near the oil shaft at Lakes Entrance in order to sample and evaluate fresh oil and rock samples from the reservoir sequence in the Lakes Entrance oil field. Discussions are continuing with stakeholders in the Lakes Entrance area to discuss right of access to historic oil wells and old shaft.

PEP 158 – Onshore, Victoria (Lakes Oil Group, Operator: 100% interest)

The Company submitted an application for a 15 year Retention Lease to the Department of Primary Industries over much of PEP 158. The proposed work program for the first five years will be aimed at achieving full assessment and evaluation of the Woodside, Wonga Binda, Stringy Bark and Alberton tight gas areas, together with other areas and aims to:

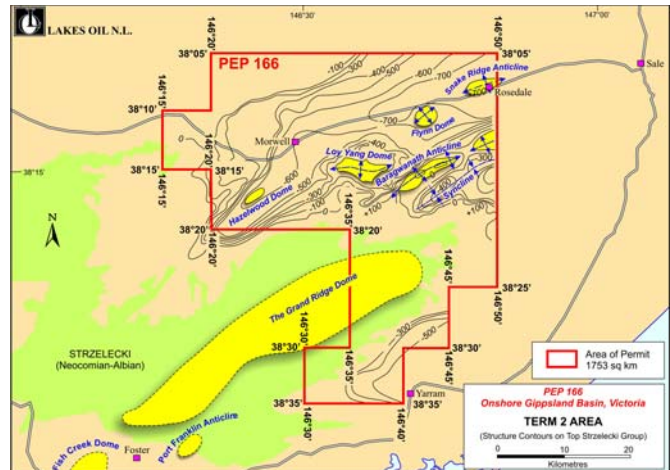
- i. bring one or more of these areas to commerciality and;
- ii. assess additional potential Strzelecki tight gas targets in the Lease that have not been drilled or fully evaluated yet;
- iii. assess the potential of the Tertiary black sands.

Following recent evaluation of our Alberton-1 well in PEP 158, further discussions were held with the Department of Primary Industries in relation to the Retention Lease Application.

PEP 166 – Onshore, Victoria

(Lakes Oil Group, Operator: 75% interest; Operator Lakes Oil)

Renewal of PEP 166 has been granted in the last few weeks. Term 2 of the permit has been granted for 5 years and required a 50% relinquishment of the original area. We are now commencing the first year's work program for the new permit area.



OFFSHORE GIPPSLAND BASIN

VIC/P47 (Gilbert Block) – Offshore, Victoria

(Lakes Oil Group: 26% interest; Operator: Bass Strait Oil Co)

No further exploration was conducted during this period.

ONSHORE OTWAY BASIN, VICTORIA

PEP 163 – Onshore, Victoria

(Lakes Oil Group, Operator: 100% interest)

Approval of PEP 163 Term 2 was granted recently for a 5 year period. The Company is reviewing the first year work program.

PEP 164 – Onshore, Victoria

(Lakes Oil Group, Operator: 100% interest)

Continued planning for the proposed drilling of a selected drill site in the Gellibrand area was undertaken. This is planned for the latter half of 1008, pending rig availability.

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Exploration Activities

PEP 169 – Onshore, Victoria (Lakes Oil Group, Operator: 100% interest)

The Company has been re valuating the existing wells and seismic as part of the Year One work program. The primary objective in this block is to explore the Cretaceous rocks and to extend out tight gas concepts developed in the Gippsland Basin and apply these to exploration of the tight gas potential in the lower Cretaceous Otway Group. In addition, our secondary objective is to explore for conventional structural plays in late Cretaceous reservoirs in the PEP 169 that have been seismically defined.

The Company believes that PEP 169 contains significant potential for hydrocarbons, located as it is within and around the flanks of the Port Campbell Embayment and on the northern limit of the Shipwreck Trough, with successful testing in particular of the Late Cretaceous Waarre Formation.

With production licences over the North Paaratte, Wallaby Creek, Grumby, Iona, Mylor, Penryn, Tregony, Langley and Seamer Fields extracted from the original licence, there remains potential for production from as yet untested structural and stratigraphic closures.

EROMANGA BASIN, QUEENSLAND

ATP 560P (Mclvor Block)—Onshore, Queensland
(Lakes Oil Group: 50% interest; Operator: Victoria Petroleum N.L.)

There was no activity undertaken on this permit during the period. We are currently considering the future of this block.

ATP 560P (Ueleven Block) – Onshore, Queensland
(Lakes Oil Group: 25% interest; Operator: Icon Oil N.L.)

There was no activity undertaken on this permit during the period. We are currently considering the future of this block.

New Zealand – North Island
(Lakes Oil Group, Operator: 100% interest)

PEP 38350

The recent 3000 line km regional aeromagnetic survey is still in the process of being interpreted. This survey covered about two thirds of the PEP 38350 block. Early interpretation of the results

indicates that several major structural features, such as regional lineaments and faults, can be identified from the aeromagnetics and that these conform to the main NE-SW structural grain of the East Coast Basin.

PEDIRKA BASIN – NORTHERN TERRITORY

EP 142 - Onshore, Northern Territory
(Lakes Oil Group, Operator: 100% interest)

The EP 142 acreage contains a similar stratigraphic section to that observed in the Cooper and Eromanga Basins of South Australia and Queensland. The main reservoir and source rock units are contained in Permian, Jurassic and Triassic age successions. Oil occurrences and shows have been recorded over the last two decades in several wells in and adjacent to this permit and hence add to the interest and potential of this acreage.

Review of the geological and geophysical studies is continuing as part of the Year One work program with the objective of assessing the hydrocarbon potential and mapping of possible leads from the existing seismic and well coverage.

ONSHORE USA—San Joaquin Basin California

EAGLE PROSPECT—Onshore, California, U.S.A
(Lakes Oil Group:15% working interest; Operator: Victoria Petroleum Inc)

Efforts are currently being made to farm out this block, which may result in Lakes Oil having a reduced interest.

Signed on behalf of Lakes Oil N.L.

Ingrid Campbell
Chief Geologist
Dated 31 July 2008

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 JUNE 2008

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating & investing cash flows (brought forward)	(805)	(9,366)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	5,227	9,236
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Farm-in/Joint Venture contributions	-	-
Net financing cash flows	5,227	9,236
Net increase (decrease) in cash held	4,422	(130)
1.20 Cash at beginning of quarter/year to date	(728)	3,824
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	3,694	3,694

**Payments to Directors of the entity and associates of the Directors;
Payments to related entities and associates of the related entities.**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	111
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
Directors fees : \$50,000 Consulting and professional fees paid to a Director-related entity: \$61,251	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- | |
|------|
| None |
|------|
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- | |
|------|
| None |
|------|

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements – Bank overdraft	-	-

Estimated cash outflows for next quarter

	\$ A'000
4.1 Exploration and evaluation	500
4.2 Development	-
Total	500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$ A'000
5.1 Cash on hand and at bank (item 1.22)	3,694	(728)
5.2 Deposits at call	121	121
5.3 Bank overdraft	-	1,200
5.4 Investments in listed companies (market value)	6,584	3,920
Total: cash at end of quarter	10,399	4,513

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

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Mining exploration entity quarterly report – 30 JUNE 2008

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-		
7.2 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	4,262,095,386	4,262,095,386		
7.4 Changes during quarter				
(a) Increases through issues	1,045,446,750	1,045,446,750	\$0.005	\$0.005
(b) Decrease through returns of capital, buy-backs	NIL	NIL		
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 JUNE 2008

7.7	Options			<i>Exercise price</i>	<i>Expiry date</i>
	<i>Directors</i>	19,500,000		7.14 cents	17 November 2009
		25,500,000	-	5 cents	17 November 2009
	<i>Staff</i>	3,400,000		7.14 cents	17 November 2009
		12,350,000		3 cents	17 November 2009
		6,000,000		5 cents	17 November 2009
		11,850,000		1.5 cents	9 January 2013
	<i>Third parties</i>	4,500,000		7.14 cents	17 November 2009
		19,500,000		5 cents	17 November 2009
		<u>500,000</u>		3 cents	17 November 2009
	TOTAL	103,100,000			
7.8	Issued during the quarter	-	-	-	-
7.9	Exercised during the quarter	-	-	-	-
7.10	Expired during the quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 22 July 2008
Company Secretary

Print name: **Raymond South**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2008

- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022; *Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complies with.

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