



LAKES OIL N.L.

A.B.N. 62 004 247 214

AND CONTROLLED ENTITIES

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2007**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2007

**LAKES OIL N.L. AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2007**

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LAKES OIL N.L. AND CONTROLLED ENTITIES DIRECTORS' REPORT

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Lakes Oil N.L. and the entities it controlled, for the half-year ended 31 December 2007 and independent review report thereon.

DIRECTORS NAMES

The directors in office since the start of the financial period to the date of this report (unless otherwise stated) are:-

Robert J. Annells
Peter B. Lawrence
James H.Y. Syme
Barney I Berold

REVIEW OF OPERATIONS

The consolidated loss of the group for the half-year after providing for income tax was \$3,405,791.

CORPORATE DEVELOPMENTS

In October 2007, Lakes Oil N.L brought a claim in the Supreme Court of Queensland against Century Energy Service Pty Ltd seeking damages of an amount of \$1,091,297.20, interest and costs arising out of an incident which occurred on 29 June 2007 during the drilling of Boola Boola 2 Well. Lakes Oil N.L claim is in regards to a breach of contractual obligations to provide drilling services in a prudent and diligent manner and also breach of duty of care owed in tort. Lakes Oil NL is also defending a claim brought by Century for \$244,072.30 plus GST, interest and costs allegedly owed by Lakes Oil N.L to Century for services provided. Lakes Oil N.L claims that, in the circumstances, Century is not entitled to these amounts and in any event they should be off set against the loss and damage suffered. These proceedings are currently still underway.

Greenearth Energy Limited, the company created by Lakes Oil N.L, Victoria Petroleum N.L and a group of private investors, held its initial public offering (IPO) during December 2007 and January 2008. The listing raised \$10 million and the company listed on the Australian Stock Exchange on 4 February 2008. Lakes Oil N.L participated in the IPO and as a result the company and its related parties hold a significant holding of 22.07%.

On 15 February 2008, Lakes Oil N.L advised that it has purchased Poolowanna Petroleum Pty Ltd, a private company whose only asset is EP142 in the Northern Territory. Consideration for the purchase was 25 million shares issued at 1 cent per share. This was in addition to 13,333,000 shares issued on 11 March 2007 which were issued at 1.5 cents per share. The permit covers an area of about 9100 square kilometres in the south-eastern corner of the Northern Territory.

ONSHORE GIPPSLAND BASIN

- **PRL 3 – Onshore, Victoria**
(Lakes Oil Group, Operator: 100% interest of overall permit. Roma Petroleum NL has a 5% over-riding royalty)

Trifon Block (Lakes Oil Group, Operator: 50% interest; Jarden Corporation Australia Pty Ltd 50% interest)

Lakes Oil N.L conducted a 3D seismic survey over the Wombat Field in PRL2 during early January, 2008. It is the first onshore 3D seismic survey conducted in the Gippsland Basin.

The survey covered approximately 30 sq km in area and took about 10 days to complete. The operation involved about 40 field crew over that period. The survey required several months of planning prior to acquisition to ensure that all relevant factors, such as field parameters, line layout, etc as well as environmental and land constraints are factored into the survey design.

The field data has been sent out for processing in Brisbane and once this is completed, interpretation of the 3D data will commence. This will enable Lakes Oil N.L to better map structuring in the Strzelecki Group, which have been masked to date by overlying Tertiary coals and will assist in the location of Wombat 4 in its optimum position. Drilling of this well is planned for mid-2008, depending on rig and funding resources availability.

LAKES OIL N.L. AND CONTROLLED ENTITIES DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

- ❑ **PRL 2 – Onshore, Victoria**
(Lakes Oil Group, Operator: 100% interest)

The company is continuing to evaluate and consider the most effective method of development from this field. Plans for the drilling of a shallow well in the lease are being considered to investigate the field parameters around Lakes Entrance and areas to the west of the township.

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

Current Drilling Plan

Napier High 1

Drilltec's Bournedrill 2000 rig arrived on the Napier High 1 site on 18 December, 2007. The operator drilled 14" surface hole and set 12" surface casing at 8m. This was drilled out with a 10" hole to 23m and 9 5/8" casing at 20 metres below Ground Level (GL).

On 8 January 2008, following the Christmas period, the operator commenced drilling 8 1/2" hole from 20 metres depth. The well was drilled to 121 metres when unstable sands and lost circulation were encountered below 21 metres. A gamma log was run to determine the nature of the section to 121 metres. It was decided to pull out the initial surface conductor set at 23 metres, remove the Bournedrill rig and deepen the hole with a percussion rig and install new 9 5/8" conductor to about 70 metres to stabilise the hole in firm foundations. The percussion rig is currently onsite installing 9 5/8" conductor. Following the installation of the conductor casing, the site will be ready for the Bournedrill rig to return at some future date.

Following DPI approvals, the Bournedrill rig was moved to the Alberton 1 site, so that it could be re-entered and completed.

Alberton 1

Stage One of Alberton 1 was spudded on 17 July 2007. However, the drilling of the well was interrupted due to unsuitability of the rig. After setting 178mm (7") casing to a depth of 257.8 metres, the well was temporarily terminated in a weathered volcanic seal at 270 metres (KB).

On 1 February, 2008, Alberton-1 was re-entered at 271 metres for Stage Two using the Bournedrill rig that was removed from Napier High 1 site. The well was designed to be drilled to approximately 1,000 metres to investigate the potential of tight gas in the Strzelecki Group and the occurrence of Tertiary sediments containing biodegraded oil.

Alberton1 reached a total depth of 998.4 metres on 19 February, 2008.

A full suite of electric logs were run at total depth and the well was plugged and abandoned. Greenerth Energy Limited participated in this well to obtain temperature and conductivity data for their geothermal data base.

Provisional results:

The well encountered approximately 265 metres of unconsolidated Tertiary sands, including black sands with heavily biodegraded oil, gravels, coals and weathered volcanics. The Lower Cretaceous Strzelecki Group was encountered at 285 metres, lying uncomfortably below the weathered Tertiary Currajong Volcanics. A total thickness of approximately 715 metres of Strzelecki Group was intersected, consisting predominantly of alternating massive sandstones, carbonaceous siltstones and minor mudstones. Fine black carbonaceous debris was present throughout much of the Cretaceous section.

Indications of tight gas were evident in the Strzelecki Group from elevated background gas readings from 490 metres to total depth. Evaluation of the logging is awaiting detailed analysis by U.S. tight gas specialists.

A total of 23 cores were cut in the well: 21 cores in the upper Latrobe sequence to investigate the nature and significance of Tertiary black sands containing heavily biodegraded oil and brown coals, 2 cores in the Strzelecki Group to evaluate physical rock properties, source rock potential and stratigraphic age of the sediments.

LAKES OIL N.L. AND CONTROLLED ENTITIES DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Alberton 1 (continued)

Full evaluation of all data is required before a final assessment of the well can be made. However, initial results are encouraging and indicate that;

- 1) Elevated background gas, mature source and tight reservoir rocks are present in the Strzelecki Group;
- 2) The occurrence of heavily biodegraded Tertiary oil sands needs to be fully evaluated and assessed.

□ **PEP 166 – Onshore, Victoria** *(Lakes Oil Group, Operator: 75% interest; AusAm Resources Limited 25% interest)*

An application for the second term of this permit was lodged with the Department of Primary Industries in October 2007, indicating the proposed 50% area to be retained. Lakes Oil N.L and its partner are awaiting approval of this proposed area and the work program suggested for Term 2 for this permit.

OFFSHORE GIPPSLAND BASIN VICTORIA

□ **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 South Australia

□ **PEL 57 – Onshore, South Australia** *(Lakes Oil Group, Operator: 90% interest)*

Lakes Oil N.L has submitted an application to surrender this permit. Previous exploration operations in this permit, which have been capitalised amount to \$1,751,757 which has been written off in this financial report.

ONSHORE OTWAY BASIN VICTORIA

□ **PEP 163 – Onshore, Victoria** *(Lakes Oil Group, Operator: 50% interest; Jupiter Energy (Victoria) Pty Ltd 50% interest)*

A submission was made to the Department of Primary Industries for the second term of the permit with a 50% area nominated for the partial relinquishment. Lakes Oil N.L and its partner are waiting on approval of Term 2 for this permit.

□ **PEP 164 – Onshore, Victoria** *(Lakes Oil Group, Operator: 100% interest)*

A six month extension to the permit has been granted from Department of Primary Industries in order to provide sufficient timing to secure a suitable rig for the drilling of a commitment well in the permit.

Mapping and interpretation of several potential prospects in the Lower Cretaceous Eumeralla Formation utilising all seismic and well data in the area have been identified. At present Lakes Oil N.L is in the process of securing a suitable rig to drill the selected target.

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

Lakes Oil N.L acquired this permit from Sweetpea Petroleum Pty Ltd, a subsidiary of PetroHunter Energy on 23 January 2008. This permit is located north of Port Campbell and is directly adjacent to a producing gas field. Presently the company is undertaking a geological and geophysical analysis of the permit as required under the permits work commitments.

LAKES OIL N.L. AND CONTROLLED ENTITIES DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

PEDIRKA BASIN NORTHERN TERRITORY

- **EP142 – Onshore, Northern Territory**
(Lakes Oil Group, Operator: 100% interest)

Lakes Oil N.L. has recently acquired a new petroleum permit, EP 142, covering 9100 square kilometres in the Pedirka Basin in the Northern Territory via the purchase of a private petroleum company, Poolowanna Petroleum Pty Ltd Pty Ltd, which will become a subsidiary of the group. Several wells have been drilled in the permit in the past 20 years, which have had oil shows which have not been adequately tested.

The area is currently underexplored with minimal seismic coverage. The company is currently setting out a proposed work program and budgets for the new permit.

EROMANGA BASIN QUEENSLAND

- **ATP 560P – McIvor Block – Onshore, Queensland**
(Lakes Oil Group, 90% interest; Operator: Victoria Petroleum N.L.)

There was no activity undertaken on this block during the half year.

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

There was no activity undertaken on this block during the half year.

EAST COAST BASIN (NORTH ISLAND) NEW ZEALAND

- **PEP 38350 – Onshore/Offshore, New Zealand**
(Lakes Oil Group, Operator: 100% interest)

Planning and preparation for the acquisition of an aeromagnetic survey are underway to implement the Year One work program. The objective of the program is to locate basin structures and depths to basement within the permit. The scheduled start date for the survey is in the March/April 2008 dependent on equipment availability, funding resources and weather conditions.

The company plans to test the petroleum potential of the Tertiary sediments in the southern part of the East Coast Basin.

ONSHORE USA – SAN JOAQUIN BASIN CALIFORNIA

- **Eagle Prospect – Onshore, California, USA**
(Lakes Oil Group, 15% interest; Operator: Victoria Petroleum Inc.)

In October 2007, a post-drill report of operations on Eagle North – 1 from January 2006 to October 2006 was produced by the operator. The report outlines the previous operations and suggests several options for future development in the prospect to all the participants. Lakes Oil N.L. will consider these options and advise shareholders accordingly when a decision is made on the chosen option.

**LAKES OIL N.L. AND CONTROLLED ENTITIES
DIRECTORS' REPORT (continued)**

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the directors:



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Robert J. Annells

Dated this 14th day of March 2008

**AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of Lakes Oil N.L.**

In relation to the half-year independent auditor's review for the six months to 31 December 2007, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- (ii) No contraventions of any applicable code of professional conduct.



**PITCHER PARTNERS
Melbourne**



**M W PRINGLE
Partner
14 March 2008**

**LAKES OIL N.L. AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
Revenue		
Other income	100,449	661,218
	<hr/>	<hr/>
Employee benefits expenses	(335,339)	(396,497)
Depreciation expense	(23,857)	(24,934)
Finance costs	(2,461)	(7,455)
Exploration expenditure written off	(1,754,407)	(124,730)
Accounting and audit expenses	(16,768)	(22,800)
Marketing and promotion expenses	(71,790)	(177,346)
Rent and occupancy expenses	(63,664)	(64,630)
Consulting expenses	(284,745)	(245,127)
Share of Net Loss accounted for using Equity Method	(120,913)	-
Administrative expenses	(832,296)	(637,429)
Total expenses	<hr/> (3,506,240) <hr/>	<hr/> (1,700,948) <hr/>
(Loss) before income tax	(3,405,791)	(1,039,730)
Income tax expense	-	-
	<hr/>	<hr/>
(Loss) from continuing operations	(3,405,791)	(1,039,730)
(Loss) attributable to the members of the parent	(3,405,791)	(1,039,730)
	<hr/> <hr/>	<hr/> <hr/>
Basic loss per share (cents per share)	(0.23)	(0.10)
Diluted loss per share (cents per share)	(0.23)	(0.10)

The accompanying notes form part of these financial statements.

**LAKES OIL N.L. AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	31 Dec 2007 \$	30 June 2007 \$
CURRENT ASSETS		
Cash and cash equivalents	2,918,302	3,791,344
Receivables	558,879	1,898,624
Financial assets at fair value through profit or loss	1,520,022	1,678,178
Other financial assets	197,381	193,409
Other current assets	84,321	51,264
TOTAL CURRENT ASSETS	<u>5,278,905</u>	<u>7,612,819</u>
NON-CURRENT ASSETS		
Investment in Associate	335,743	206,656
Property, plant and equipment	787,044	741,716
Deferred exploration, evaluation and development	40,814,805	40,960,578
TOTAL NON-CURRENT ASSETS	<u>41,937,592</u>	<u>41,908,950</u>
TOTAL ASSETS	<u>47,216,497</u>	<u>49,521,769</u>
CURRENT LIABILITIES		
Trade and other payables	872,890	3,642,081
Provisions	40,190	49,436
TOTAL CURRENT LIABILITIES	<u>913,080</u>	<u>3,691,517</u>
NON-CURRENT LIABILITIES		
Provisions	311,034	319,360
TOTAL NON-CURRENT LIABILITIES	<u>311,034</u>	<u>319,360</u>
TOTAL LIABILITIES	<u>1,224,114</u>	<u>4,010,877</u>
NET ASSETS	<u>45,992,383</u>	<u>45,510,892</u>
EQUITY		
Share capital	78,039,631	74,236,273
Other reserves	913,924	830,000
Accumulated losses	(32,961,172)	(29,555,381)
TOTAL EQUITY	<u>45,992,383</u>	<u>45,510,892</u>

The accompanying notes form part of these financial statements.

**LAKES OIL N.L. AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	45,510,892	37,203,689
Third party options	-	305,757
Employee share options	83,924	31,415
Net income recognised directly in equity	83,924	337,172
(Loss) for the year	(3,405,791)	(1,039,730)
Total recognised income and expense for the period	(3,321,867)	(702,558)
Attributable to:		
Members of the parent	(3,321,867)	(702,558)
	(3,321,867)	(702,558)
Transactions with equity holders in their capacity as equity holders:		
Contributions	3,803,358	3,144,214
	3,803,358	3,144,214
TOTAL EQUITY AT THE END OF THE HALF-YEAR	45,992,383	39,645,345

The accompanying notes form part of these financial statements.

LAKES OIL N.L. AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Half-year	
	2007	2006
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts	1,024,092	28,000
Payments to suppliers and employees	(1,188,178)	(1,279,811)
Payment for exploration and evaluation cost	(4,307,591)	(1,363,825)
Interest received	75,929	33,573
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(4,395,748)	(2,582,063)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(69,486)	(14,494)
Purchase of listed securities	-	(5,000)
Purchase of unlisted securities	(250,000)	(250,000)
Payments for bonds and deposits	(125,081)	(117,627)
Proceeds from matured bonds and deposits	121,409	162,352
Proceeds from sale of shares in listed company	42,506	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(280,652)	(224,769)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	4,013,882	3,271,475
Payment of share issue costs	(210,524)	(137,708)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	3,803,358	3,133,767
NET INCREASE/(DECREASE) IN CASH HELD	(873,042)	326,935
Add opening cash brought forward	3,791,344	616,455
CLOSING CASH CARRIED FORWARD	2,918,302	943,390

The accompanying notes form part of these financial statements.

LAKES OIL N.L. AND CONTROLLED ENTITIES
Notes to the financial statements
31 December 2007

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2007 and any public announcements made by Lakes Oil N.L. during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation of the half-year financial report

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

(b) Summary of the significant accounting policies:

The half-year consolidated financial reports have been prepared using the same accounting policies as used in the annual financial reports for the year ended 30 June 2007.

(c) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Lakes Oil N.L. controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

NOTE 2: GOING CONCERN

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company's cash position as at 31 December 2007 and as a result of matters set out below under subsequent events is below the amount required to ensure it can fulfil its committed exploration and work program over the forthcoming 12 months.

The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent on its continuing ability to:

- raise additional funding via rights issues or other placements
- raise additional funding from entering Joint Venture and other Farmin Agreements on various permits owned or contracted by the Company; and
- raise additional funding from the realisation of assets should this be required.

The directors believe the company will continue to be successful in raising sufficient additional equity funding as those funds are required and accordingly have prepared the financial report on a going concern basis.

NOTE 3: SUBSEQUENT EVENTS

On 23 January 2008 Lakes Oil N.L. acquired an additional permit located in the Onshore Otway Basin in Victoria. The permit PEP169 was acquired from Sweetpea Petroleum Pty Ltd, a subsidiary of PetroHunter Energy.

In late January 2008, Lakes Oil N.L. submitted an application to surrender Exploration Permit PEL57. To date \$1,751,757 of exploration expenditure had been capitalised, which has been written off in this current financial report.

LAKES OIL N.L. AND CONTROLLED ENTITIES
Notes to the financial statements
31 December 2007 (continued)

NOTE 3: SUBSEQUENT EVENTS (continued)

Greenearth Energy Limited, an associate of Lakes Oil N.L listed on the Australian Stock Exchange on 4 February 2008. Lakes Oil N.L and its related parties participated in the public offer, with the result that Lakes Oil NL and its related parties have a significant interest of 22.07%.

Lakes Oil N.L entered into an agreement to acquire Poolowanna Petroleum Pty Ltd, a private petroleum company on 15 February 2008. Consideration for the purchase is set to be 25 million shares issued at 1 cent per share. This was in addition to 13,333,000 shares issued on 11 March 2007 which were issued at 1.5 cents per share. The company, which will become a subsidiary of Lakes Oil N.L is the permit holder of Northern Territory permit EP142. This permit is situated in the Pedirka Basin. It is impracticable to disclose the fair value of net assets acquired as they are subject to finalisation accounting which is still in the process of being prepared.

On 27 February 2008, a short term overdraft for \$1 million was put in place. The facility which expires at 30 April 2008 is secured by the Company's investment in Roma Petroleum N.L shares and two Seaspray properties which Lakes Oil N.L owns.

NOTE 4: DIVIDENDS

No dividends have been paid or provided for during the half-year.

NOTE 5: SEGMENT INFORMATION

Geographically, the group operates in two predominant segments being Australia and the United States of America.

	Australia		USA		Consolidated	
	Half-year		Half-year		Half-year	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Revenue						
Other income	100,449	661,218	-	-	100,449	661,218
Expenses	(3,506,240)	(1,700,948)	-	-	(3,506,240)	(1,700,948)
Results						
Segment result	<u>(3,405,791)</u>	<u>(1,039,730)</u>	-	-	<u>(3,405,791)</u>	<u>(1,039,730)</u>
Loss before income tax					(3,405,791)	(1,039,730)
Loss from continuing operations					<u>(3,405,791)</u>	<u>(1,039,730)</u>

The accompanying notes form part of these financial statements.

LAKES OIL N.L. AND CONTROLLED ENTITIES
Notes to the financial statements
31 December 2007 (continued)

NOTE 6: INVESTMENT IN ASSOCIATES

Lakes Oil N.L holds a 25 percent interest in a geothermal exploration company, Greenerth Energy Limited.

	31 Dec 2007 \$	30 June 2007 \$
Investment in associate - cost	500,000	250,000
Interest in associate		
Greenerth Energy Limited	25%	33.3%

Principal Activity

Greenerth Energy Limited's principal activity is geothermal exploration.

Share of Associate's Balance Sheet

	31 Dec 2007 \$	30 June 2007 \$
Current assets	90,564	209,650
Non-current assets	242,036	224,845
	<u>332,600</u>	<u>434,496</u>
Current liabilities	(49,953)	(228,090)
Non-current liabilities	-	-
Net assets	<u>282,647</u>	<u>206,405</u>

Share of associate's loss

Loss before income tax	(120,913)	(43,344)
Income tax Expense	-	-
Loss after income tax	<u>(120,913)</u>	<u>(43,344)</u>

Carrying amount of investment in associate

Balance at the beginning of the period	206,656	-
New Investment during the financial period	250,000	250,000
Share of associates' net loss for the period	(120,913)	(43,344)
Balance at the end of the period	<u>335,743</u>	<u>206,656</u>

NOTE 6: CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since 30 June 2007.

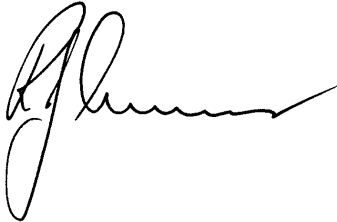
LAKES OIL N.L. AND CONTROLLED ENTITIES DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 9 to 15 are in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Lakes Oil N.L. will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors



Robert J Annells
Chairman

Melbourne
14 March 2008

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LAKES OIL N.L.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lakes Oil N.L.. The half-year financial report comprises the condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, for the company and the entities it controlled at the half-year or from time to time during the period, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Lakes Oil N.L. are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Lakes Oil N.L., ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF LAKES OIL N.L. (continued)**

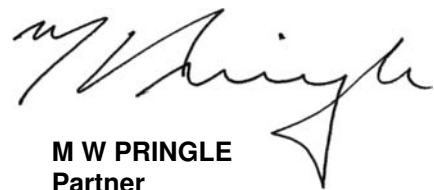
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lakes Oil N.L. is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



**PITCHER PARTNERS
Melbourne**



**M W PRINGLE
Partner
14 March 2008**