

**LAKES OIL N.L.**

A.C.N. 004 247 214

**Quarterly Activities Report**

for the three months ended

**31 December 2007**

# CORPORATE DIRECTORY

## ***Directors***

Robert J. Annells CPA, F.Fin (*Executive Chairman*)

Peter B. Lawrence BCom, MBA, FCPA

James H. Y. Syme LLB

Barney I Berold BCom, MBA

## ***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 Consultants***

Xiaowen Sun BSc (Hons), MSc PhD MAAPG

Ingrid Campbell RMIT (Geol), MPESA, MGSA

Guy Holdgate BSc (Hons), PhD

Jim Macadam BSc P.Eng

## ***Address for Correspondence***

P.O. Box 300,  
Collins Street West,  
Victoria 8007

**E-mail:** [lakes@lakesoil.com.au](mailto:lakes@lakesoil.com.au)

**Web site:** [www.lakesoil.com.au](http://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 ([www.lakesoil.com.au](http://www.lakesoil.com.au)) which directors encourage you to access for the most recent information on the Lakes Oil Group.

## QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 31 DECEMBER 2008

### ONSHORE GIPPSLAND BASIN

- **PRL 2** – Onshore, Victoria  
*(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)*

During this period, planning and preparation continued for the acquisition of 3D seismic survey over the WOMBAT Field in PRL2, onshore Gippsland Basin. The survey covers approximately 30 sq km in area and takes about 10 days to complete.

The survey completion is scheduled for end of January, 2008.

Following processing, the interpretation of the new data will enable us to locate Wombat 4 in its optimum position. Drilling of this well is planned for mid-2008, depending on rig availability.

- **PRL 3** – 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 which include re-entry of the Hunters Lane well and/or the drilling of new shallow wells closer to the Lakes Entrance shaft.

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 new rig arrived on the Napier High 1 site on 18<sup>th</sup> 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<sup>5/8"</sup> casing at 20m ground level (GL).

On 8<sup>th</sup> January 2008, following the Christmas period, the operator commenced drilling 8<sup>1/2"</sup> hole from 20 metres depth. At the time of this report, the well was 121 metres and drilling ahead.

## ONSHORE GIPPSLAND BASIN (continued)

Napier High 1 will 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.

### Alberton 1

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 257.8m, the well was temporarily terminated in a weathered volcanic seal at 270 metres (KB).

Following the completion of Napier High 1, Stage Two of Alberton-1 will be completed with the new Drilltec rig to approximately 1,000 metres with the same objectives as Napier High 1.

- **PEP 166** – Onshore, Victoria  
(Lakes Oil Group: 75% interest; Operator: Lakes Oil N.L.)

The results of a regional review of the source rock maturation of the top Strzelecki Group unconformity throughout the entire permit were used to locate areas of potential prospectively and selection of future relinquishment options.

The permit ends its first term in early January 2008 requiring a 50% relinquishment. An application and work program were submitted to DPI.

## OFFSHORE GIPPSLAND BASIN

- **VIC/P47 (GILBERT BLOCK )** - Offshore, Victoria  
(Lakes Oil Group: 26% interest; Operator: Bass Strait Oil Company Ltd)

No further exploration was conducted during this period.

## ONSHORE OTWAY BASIN, SOUTH AUSTRALIA

- **PEL 57** – Onshore, South Australia  
(Lakes Oil Group: 90% interest; Operator: Lakes Oil N.L.)

No further activity occurred in the permit.

## ONSHORE OTWAY BASIN, VICTORIA

- **PEP 163** – Onshore, Victoria  
(Lakes Oil Group: 50% interest; Operator: Lakes Oil N.L.)

The permit ended its first term in mid-July 2007 requiring a 50% relinquishment. An application and work program were submitted to DPI for Term 2.

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

The 2006 seismic survey data has been interpreted identifying potential drilling targets in the Lower Cretaceous Eumeralla Formation in this permit. Several potential prospects in the Lower Cretaceous Eumeralla Formation are being evaluated utilising all seismic and well data in the area.

As the final year commitment is the drilling of one well prior to mid – October 2007, a 6 month extension to the permit has been requested in order to secure a suitable rig.

## EROMANGA BASIN - Queensland

- **ATP 560P – McIVOR BLOCK** - Onshore, Queensland  
(Lakes Oil Group: 50% interest; Operator: Victoria Petroleum N.L.)

There was no activity undertaken on this permit during the period.

- **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.

## NEW ZEALAND - EAST COAST BASIN – North Island

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

The Year One program is currently being planned with the acquisition of an aeromagnetic survey in the permit to locate basin structures and depths to basement. 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, U.S.A.  
(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

### Drilling of Eagle North -1

No further activity has occurred in the quarter.

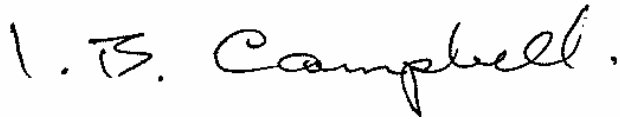
# LAKES OIL N.L.

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months ended 31 December 2007*

## ONSHORE USA – San Joaquin Basin California (continued)

As previously mentioned, in October 2007, a post-drill report of operations on Eagle North – 1 from January 2006 to October 2006 was produced by the operator, which suggests several options for future development in the prospect. Lakes will consider these options and advise accordingly when a decision is made on the chosen option.

**Signed on behalf of Lakes Oil N.L.**

A handwritten signature in black ink that reads "I. B. Campbell." The signature is written in a cursive style.

Ingrid Campbell – Chief Geologist  
Dated 30 January 2008

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**LAKES OIL N.L.**

ABN

**62 004 247 214**

Quarter ended ("current quarter")

**31 DECEMBER 2007**

### Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (6 months) \$A '000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for: (a) exploration and evaluation	(634)	(3,899)
(b) development	-	-
(c) production	-	-
(d) administration	(752)	(1,017)
(e) capital raising costs	(204)	(204)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	28	48
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 (a) Net movement in GST suspense account	(133)	247
<b>Net operating cash flows</b>	<b>(1,695)</b>	<b>(4,825)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(250)	(250)
(c) other fixed assets	(30)	(53)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	42
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Debtors	1,136	205
<b>Net investing cash flows</b>	<b>856</b>	<b>(56)</b>
1.13 Total operating & investing cash flows (carried forward)	<b>(839)</b>	<b>(4,881)</b>

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 31 December 2007**

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.13 Total operating & investing cash flows (brought forward)	<b>(839)</b>	<b>(4,881)</b>
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares options, etc.	<b>3,894</b>	<b>4,009</b>
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	-	-
<b>Net financing cash flows</b>	<b>3,894</b>	<b>4,009</b>
<b>Net increase (decrease) in cash held</b>	<b>3,005</b>	<b>(872)</b>
1.20 Cash at beginning of quarter/year to date	<b>(103)</b>	<b>3,824</b>
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	<b>2,952</b>	<b>2,952</b>

**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	<b>86</b>
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: \$25,000 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 |
|------|

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 31 December 2007**

**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	<b>3,000</b>
4.2 Development	-
<b>Total</b>	<b>3,000</b>

**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)	<b>2,952</b>	<b>(103)</b>
5.2 Deposits at call	<b>121</b>	<b>121</b>
5.3 Bank overdraft	-	<b>1,500</b>
5.4 Investments in listed companies (market value)	<b>1,508</b>	<b>1,748</b>
<b>Total: cash at end of quarter</b>	<b>4,581</b>	<b>3,266</b>

**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		
6.2	-	-	-	-
		Interests in mining tenements acquired or increased		

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 31 December 2007**

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**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 <b>Preference securities</b> <i>(description)</i>	-	-		
7.2 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	3,191,648,636	3,191,648,636		
7.4 Changes during quarter				
(a) Increases through issues	389,388,265	389,388,265	\$0.01	\$0.01
(b) Decrease through returns of capital, buy-backs	NIL	NIL		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 31 December 2007**

7.7	<b>Options</b>			<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
	<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
	<b>TOTAL</b>	<b>91,250,000</b>			
7.8	Issued during the quarter	-	-	-	-
7.9	Exercised during the quarter	-	-	-	-
7.10	Expired during the quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <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:

  
 .....  
 Company Secretary

Date: 30 January 2008

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.

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 31 December 2007**

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- 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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