



LAKEs OIL N.L.

A.C.N. 004 247 214

Quarterly Activities Report

for the three months ended

31 March 2007

CORPORATE DIRECTORY

Directors

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

Peter B. Lawrence BCom, MBA, FCPA

James H. Y. Lyme LLB

Barney I Berold BCom, MBA

Company Secretary

Raymond E. South FCA, FCIS, FCPA

Chief Financial Officer

Vicki Kahanoff BBus CPA

Registered Office

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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

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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) 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 MARCH 2007

CORPORATE DEVELOPMENTS

On 20 April 2007 Lakes Oil N.L. announced that Lakes and PetroHunter Energy Corporation of Denver, Colorado signed an agreement under which they will jointly develop Lakes Oil's on-shore petroleum prospects in the Gippsland and Otway basins in Victoria, Australia.

Lakes Oil advised that the first phase of the Joint Venture has been completed satisfactorily and the capital injection of US\$3 million is expected before the end of May. Lakes Oil believes that the onshore Gippsland permits will become a valuable new asset for Victoria, strategically placed for new industry and low emission power generation.

As previously advised regarding the joint venture:

- PetroHunter Energy Corporation, a public US company whose shares are traded in the US, and its subsidiary Sweetpea Petroleum Pty. Ltd. ("Sweetpea"), are part of a group of companies headed by Marc Bruner. These companies have exploration activities in the USA, Europe and the Beetaloo Basin in Northern Territory, Australia.
- The group is committed to acquiring and developing unconventional oil and gas prospects worldwide, and has at its disposal a select number of experts who are among world leaders in the extraction of oil and gas from unconventional reservoirs.
- Under the arrangements, PetroHunter Energy or its subsidiary company Sweetpea will initially farm into 33 1/3% of Lakes Oil's permits by spending US\$7 million in Lakes Oil's permits. In addition, PetroHunter Energy will subscribe for US\$3 million in new shares in Lakes Oil at 1.5 cents.
- PetroHunter Energy will also have the right to increase its position in Lakes Oil's permits with two further 16 2/3% farm-in tranches of US\$10 million each, exercisable within 12 months and 24 months respectively.
- The agreement provides that PetroHunter has the right to participate in the same proportion in any permits which are non-contiguous to existing permits acquired by Lakes Oil within 2 years, and any contiguous permits acquired by Lakes Oil moving forward, and PetroHunter has a first right of refusal in other permits acquired by Lakes Oil within 5 years
- PetroHunter Energy is to assume Lakes Oil's position as operator of the permits where relevant, and will be invited to nominate a representative to the Lakes Oil Board.

ONSHORE GIPPSLAND BASIN

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

In February 2007, Lakes Oil's subsidiary, Petro Tech Pty Ltd, was granted Petroleum Retention Lease 2 (PRL 2) for a period of ten years over a large portion of the previous PEP 157 acreage by the Department of Primary Industries. PRL 2 has been issued for a ten year period in order to provide time to develop and bring tight gas fields within this area to commerciality. This Retention lease contains the very prospective Strzelecki tight gas field areas, such as Wombat, Gangell and Trifon that Lakes Oil have already identified as well as a number of untested tight gas areas.

- **PRL 3** – Onshore, Victoria
(Lakes Oil Group, Operator: 100% interest)

In February 2007, Lakes Oil's subsidiary, Petro Tech Pty Ltd, was granted Petroleum Retention Lease 3 (PRL 3) for a period of ten years over the lakes Entrance region by the Department of Primary Industries. PRL 3 has been issued for a ten year period. This Retention Lease is located around and West of the Lake Entrance area, which contains deposits of heavy oil. The area to the West of Lakes Entrance is less well explored, but has good potential for development of similar oil plays in the Tertiary section.

- **PEP 158** – Onshore, Victoria
(Lakes Oil Group, Operator: 100% interest subject to 5% over-riding royalty)

Re-evaluation of well data using new technology together with seismic mapping in the southern portion of the permit area has led to the mapping of two drillable tight gas prospects, Napier and Alberton. The proposed wells will be drilled in the second quarter and are designed to test the potential of 'tight gas' sands encountered in similar structures at the Strzelecki Group level from other areas of the Gippsland Basin that Lakes Oil has explored. The application of new technologies in extracting 'tight gas' it is now believed that these hydrocarbon shows, if encountered, could be made commercial with the correct stimulation techniques.

A retention lease application has been submitted over this permit, which will be evaluated by the Department of Primary Industries following the drilling and evaluation of our Alberton-1 and Napier High-1 wells.

ONSHORE GIPPSLAND BASIN (continued)

- **PEP 166** – Onshore, Victoria
(*Lakes Oil Group: 50% interest; Operator: Lakes Oil N.L.*)

Lakes Oil has entered into an agreement with its partner, AusAm Resources, whereby Lakes can increase its interest in the permit to 75% by drilling two wells funded by Lakes Oil.

Two exploration targets have been identified in the north-western part of PEP 166 that will earn our increased interest in the permit. One is on the Hazelwood Dome, which is currently drilling the Hazelwood-1 well, and the second at Boola Boola, which primary targets testing the hydrocarbon potential of the basal Strzelecki Group along the northern margins of the basin.

Current Dilling Operations Hazelwood-1 Well

Stage one of drilling at Hazelwood-1 commenced on Friday 23 February with the Drilltec Cardwell HL rig drilling the surface hole to a depth of 288 metres before running the 450mm (18”) surface casing to 281 metres. The Drilltec rig moved off site and the larger Centruy #11 rig commenced stage two drilling on 25 March at 288 metres depth and continued to drill 311 mm (12 ¼”) hole to a depth of 904 metres.

The Strzelecki Group target was encountered at about 550 metres depth. The geology to date has consisted of predominantly claystone and very fine grained siltstone of the Strzelecki Group and no major sandstone units or zones of major fracturing have been encountered yet. Background gas readings have ranged up to 96ppm C1 with trace C2 readings recorded. The estimated depth to Rintouls Creek Sandstone/Tyers Conglomerate is 2,500 metres.

Proposed Boola Boola-2 well

The Boola Boola-2 well is designed to test a fault closure against the Tyers Basement Ridge occurring between the known outcrops of the Rintouls Creek Sandstone and the Tyers Conglomerate, which lie at the base of the Strzelecki Group. The estimated depth to Rintouls Creek Sandstone at this location is between 900 and 1,200 metres. The prospect is also defined by shallow overlying brown coal drilling where a south plunging fold is coincident with the Tyers Basement High. The existing coal drilling data in this region provides very adequate structural control in the absence of seismic data as to the location of the Tyers Basement High, and its flanks are defined by several deep bores that have reached Strzelecki Group. The Rintouls Creek Sandstone/Tyers Conglomerate have been intersected in two wells located updip from Boola Boola-2 where they exceeded 539 metres thickness.

OFFSHORE GIPPSLAND BASIN

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

Regional studies in the permit continued during this period.

- ❑ **VIC/P40 (V)** - Nearshore, Victoria
(Lakes Oil Group - 39.2%; Operator: Lakes Oil N.L.)

Ongoing interpretation and mapping has identified several potential stratigraphic traps. The seismic data has been integrated with the Falcon® airborne gravity magnetic data to give a better understanding of the structures present within the permit. Year three of this permit finishes in late April 2007.

ONSHORE OTWAY BASIN, SOUTH AUSTRALIA

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

Re-interpretation of seismic and geological mapping in the southeast of the block near the South Australia/Victoria border continued. The permit has been suspended and extended for one year due to uncertainties connected with rig availability in the short term.

ONSHORE OTWAY BASIN, VICTORIA

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

The 2006 seismic survey data was interpreted during this period identifying potential drilling targets in the Lower Cretaceous Eumeralla Formation in this permit.

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

The 2006 seismic survey data was interpreted during this period identifying potential drilling targets in the Lower Cretaceous Eumeralla Formation in this permit.

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.

ONSHORE USA – San Joaquin Basin California

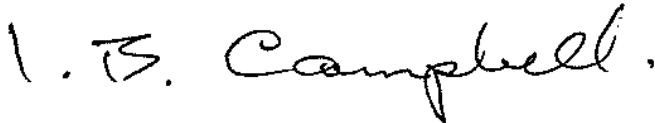
- **EAGLE PROSPECT** - Onshore, California, U.S.A.
(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

No further activity has taken place on this prospect.

In California, Lakes oil participated in the drilling of the Eagle North-1 well, which was spudded in January 2006 and has been suspended due to operational problems. The current well was drilled to 4,386 metres from a vertical hole and upon reaching the target oil-bearing Gatchell Sandstone, a horizontal lateral was drilled for about 177 metres.

Planning has commenced for future operations to re-enter the well with the exact timing subject to the availability of the required deep drilling rig, equipment and personnel.

Signed on behalf of Lakes Oil N.L.



Ingrid Campbell – Chief Geologist

Dated 30 April 2007

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 MARCH 2007

Consolidated statement of cash flows

	Current quarter \$A' 000	Year to date (9 months) \$A' 000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for: (a) exploration and evaluation	(553)	(1,877)
(b) development	-	-
(c) production	-	-
(d) administration	(368)	(1,707)
(e) capital raising	(10)	(135)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	34
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Net movement in GST suspense account	(25)	25
Net operating cash flows	(950)	(3,660)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(38)	(38)
(c) other fixed assets	(3)	(8)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	38	38
(c) other fixed assets	-	50
1.1 Loans to other entities	-	-
0		
1.1 Loans repaid by other entities	-	-
1		
1.1 Debtors	2	10
2		
Net investing cash flows	(1)	52
1.1 Total operating & investing cash flows (carried forward)	(951)	(3,608)
3		

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

	Current quarter \$A' 000	Year to date (9 months) \$A' 000
1.13 Total operating & investing cash flows (brought forward)	(951)	(3,608)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	36	3,053
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Refund Farm-in Excess – Jupiter Energy	(78)	(78)
Net financing cash flows	(42)	2,975
Net increase (decrease) in cash held	(993)	(633)
1.20 Cash at beginning of quarter/year to date	976	616
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	(17)	(17)

**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	84
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: \$22,916 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

Purchased 7.5% interest in the Wombat Block, PEP 157, Onshore Gippsland Basin via issue of shares for no cash consideration.
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- 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 March 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	1,000	17

Estimated cash outflows for next quarter

	\$ A'000
4.1 Exploration and evaluation	7,050
4.2 Development	-
Total	7,050

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)	(17)	976
5.2 Deposits at call	91	91
5.3 Bank overdraft	1,000	1,000
5.4 Investments in listed companies (market value)	1,785	2,145
Total: cash at end of quarter	2,859	4,212

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	PEP 155	Part lapsed, part converted to Petroleum Retention Lease.	100%	-
	PEP 157	Part lapsed, part converted to Petroleum Retention Lease.	100%	-
	PEP 157 (Trifon Block)	Tenement converted to Retention Lease.	50%	-

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

6.2 Interests in mining tenements acquired or increased	PRL 2	Retention Lease Granted	-	100%
	PRL 3	Retention Lease Granted	-	100%
	PRL 2 (Trifon Block)	Retention Lease Granted	-	50%

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	2,229,162,593	2,229,162,593		
7.4 Changes during quarter				
(a) Increases through issues	2,000,000	2,000,000	\$0.018	\$0.018
(b) Decrease through returns of capital, buy-backs	20,000,000	20,000,000	\$0.000	\$0.000
	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	-	-		

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

7.7	Options			<i>Exercise price</i>	<i>Expiry date</i>
	<i>Directors</i>	19,000,000	-	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
		500,000		3 cents	17 November 2009
	<i>TOTAL</i>	<u>18,444,447</u>		1.8 cents	2 June 2007
		109,194,447			
7.8	Issued during the quarter	-	-		
7.9	Exercised during the quarter	2,000,000	-	1.8 cents	2 June 2007
7.1 0	Expired during the quarter	-	-		
7.1 1	Debentures <i>(totals only)</i>	-	-		
7.1 2	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:



 Company Secretary

Date: 30 April 2007

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 March 2007

- 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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