

LAKES OIL N.L.

A.C.N. 004 247 214

Quarterly Activities Report

for the three months ended

31 March 2008

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

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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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E-mail: 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 (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 2008

On 24 April 2008 Lakes Oil N.L announced a Share Purchase Plan for shareholder to subscribe for a maximum of 1,000,000 shares at a price of \$0.005 per share (\$5,000). The Share Purchase Plan is available to shareholders who were registered on 22 April 2008 and funds generated from this raising will be used to further or exploration endeavours as outlined below.

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)

Acquisition of 3D seismic survey over the Wombat Field in PRL2, onshore Gippsland Basin was completed in mid January 2008. The survey covered approximately 30 sq km in area and took 10 days to complete.

Upon completion of the survey, processing of the raw data continued in Brisbane for several weeks. This is expected to be completed by the end of April. 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.

Negotiations have continued with stakeholders in the Lakes Entrance area to discuss right of access to historic oil wells and the old shaft at Lakes Entrance.

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

The Company is preparing 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: 1) bring one or more of these areas to commerciality and: 2) assess additional potential Strzelecki tight gas targets in the Lease that have not been drilled or fully evaluated yet: 3) assess the potential of the Tertiary oil sands in the lease.

DRILLING PROGRAM RESULTS

Napier High 1

In early February, 2008, Napier High was temporarily suspended at 121 metres, until a new surface conductor could be installed to stabilise sands near the top of the well. However, work carried out by the Drilltec's percussion rig to stabilise the sands took much longer than expected and it was therefore decided to terminate the casing program. The Bournedrill rig in the meantime was mobilised to the Alberton site to continue Stage two of that well. Lakes Oil intends to return to Napier site following successful granting of a retention lease over the area.

Alberton 1

Stage two of Alberton 1 was drilled to a total depth of 998 metres (K.B.) after the hole was re-entered at 270 metres (K.B) with Drilltec's Bournedrill rig in February 2007. The main objectives of the well were testing for the presence of tight gas sands in the Strzelecki Group and Tertiary black sands containing biodegraded oil. An extensive coring program was conducted in order to evaluate the nature of the oil sands, the brown coals and the Strzelecki Group. The well was logged and then plugged and abandoned on 22 February 2008. Full evaluation of core and log data is continuing.

The primary target was intersected at about 285 metres (K.B) beneath Tertiary coals, gravels and sands that contained heavily biodegraded oil and a thick sequence of weathered volcanics. The sequence consisted of a thick interval of potential source and reservoir rocks containing alternating sandstones and carbonaceous siltstones and minor mudstones. The potential reservoirs were mainly tight, fractured sandstones that contained elevated background gas below 490 metres.

Preliminary log evaluation of the Alberton 1 data by specialists in the U.S. indicates tight gas in the Strzelecki reservoirs below 680 metres, similar to results we have encountered elsewhere in the basin. These indications upgrade the tight gas potential of the Strzelecki Group for the area. In addition,

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

No further work was conducted in the permit during this period. The permit ended its first term in requiring a 50% relinquishment. An application and work program were submitted to DPI for Term 2 during the last quarter. We are waiting on renewal of the permit from the 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.)

This permit was surrendered in March 2008.

ONSHORE OTWAY BASIN, VICTORIA

- **PEP 163** – Onshore, Victoria
(Lakes Oil Group: 100% interest; Operator: Lakes Oil N.L.)

An application and work program were submitted to DPI for Term 2 in the previous period. Lakes Oil is waiting on approval of the renewal application

During April, our joint venture partner, Jupiter Energy Ltd has decided to drop out of the permit due to a new corporate focus. The permit now reverts back to 100% Lakes Oil Group.

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

Seismic mapping and evaluation of several alternate sites were examined and evaluated as potential drilling prospects in the Lower Cretaceous Eumeralla Formation during the quarter. Preparation and planning for the proposed drilling of a selected drill site in the Gellibrand area is currently being undertaken. This is planned for the next quarter, pending rig availability.

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

This permit was recently acquired by the company, located SW of PEP 164 and north of the producing fields in the Port Campbell region. The Year One work program is reviewing all existing exploration data such as seismic and well data. Currently, the company is evaluating the data with the objective of producing a prospects map of the 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.

NEW ZEALAND - EAST COAST BASIN – North Island

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

The Year One exploration program was completed over the Easter period with the acquisition of a 3000 line km regional aeromagnetic survey in the permit to locate basin structures and depths to basement. The area surveyed covered large tracts of both onshore and offshore acreage. Final evaluation of the results is currently underway.

The company's primary objective is to investigate the petroleum potential of the Tertiary sediments in the southern part of the East Coast Basin.

- **PEDIRKA BASIN** – Northern Territory
(Lakes Oil Group: 100% interest; Operator.)

The permit has just been acquired by Lakes Oil. The Year One exploration program is currently being conducted to assess all existing geological and geophysical data in the permit.

ONSHORE USA – San Joaquin Basin California

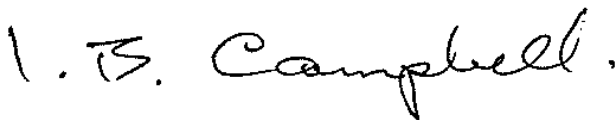
- **EAGLE PROSPECT** - Onshore, California, U.S.A.
(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

Drilling of Eagle North -1

No further activity has occurred in the quarter.

As previously mentioned, 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.



Ingrid Campbell – Chief Geologist
Dated 30 April 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 MARCH 2008

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	(2,029)	(5,928)
(b) development	-	-
(c) production	-	-
(d) administration	(601)	(1,618)
(e) capital raising costs	-	(204)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	35	83
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 (a) Net movement in GST suspense account	(67)	180
Net operating cash flows	(2,662)	(7,487)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(1,000)	(1,250)
(c) other fixed assets	(7)	(60)
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	(11)	194
Net investing cash flows	(1,018)	(1,074)
1.13 Total operating & investing cash flows (carried forward)	(3,680)	(8,561)

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 2008

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.13 Total operating & investing cash flows (brought forward)	(3,680)	(8,561)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	-	4,009
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	-	4,009
Net increase (decrease) in cash held	(3,680)	(4,552)
1.20 Cash at beginning of quarter/year to date	2,952	3,824
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	(728)	(728)

**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	61
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Consulting and professional fees paid to a Director-related entity: \$61,251
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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 March 2008

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	1,200	728

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)	(728)	2,952
5.2 Deposits at call	121	121
5.3 Bank overdraft	1,200	-
5.4 Investments in listed companies (market value)	3,920	1,508
Total: cash at end of quarter	4,513	4,581

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	PEL 57	Interest Relinquished	90%	NIL
6.2 Interests in mining tenements acquired or increased	PEP169	Interest Acquired	NIL	100%
	EP142	Interest Acquired	NIL	100%

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 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	3,216,648,363	3,216,648,636		
7.4 Changes during quarter				
(a) Increases through issues	25,000,000	25,000,000	\$0.01	\$0.01
(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	-	-		

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 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	11,850,000	-	1.5 cents	9 January 2013
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:



 Company Secretary

Date: 30 April 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 March 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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