



A.C.N. 004 247 214

Lakes Oil N.L.

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www.lakesoil.com.au

Quarterly Activities Report

For the three months ended
31 December 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.



Exploration Activities

RL 2 – Onshore, Gippsland Basin (Lakes Oil Group, Operator: 100% interest)

Independent Assessments

An independent assessment of our Wombat Field resources by Gaffney Cline Associates was completed following the 3D survey conducted earlier in the year.

Lakes Oil also commissioned Palliser Strategic Management and Langusch Associates to provide an independent asset evaluation in PRL2 based on implied values associated with this unconventional gas resource. The results of these reviews were released to the ASX on 29 October 2008.

These reports confirm Lakes' view that the Wombat Gas Field is a highly prospective undeveloped gas resource contained in the Strzelecki Group in PRL2.

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

Discussions are continuing with landowners and no further activities have taken place in this permit.

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

Additional technical data was submitted to the Department of Primary Industries in support of our retention lease application over PEP 158.

PEP 166 – Onshore, Victoria (Lakes Oil Group, Operator: 100% interest)

During this period, Term 2 of the permit was granted for a 5 year period which required a 50 % relinquishment of the original area. We are now commencing the planning for the new work program which will involve more detailed evaluation of deep Strzelecki plays in the reduced permit area. Planning for a magneto-telluric survey across the Latrobe Valley region is underway with the aim of imaging base Strzelecki /basement topography and providing a better understanding of the structure and geometry of the basin. This survey is planned for later in 2009 after required approvals have been granted.

ONSHORE OTWAY BASIN, VICTORIA

PEP 163 – Onshore, Victoria (Lakes Oil Group, Operator: 100% interest)

The first year work program of geology and geophysical review has been completed with evaluation of potential Lower Cretaceous tight gas prospects in the permit. Several prospects have been identified and will be further evaluated.

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

The company applied for a Term 2 renewal of the permit which required a 50% drop of acreage. Once approval has been granted from the Department of Primary Industries, a likely requirement of the new work program would be the drilling of a commitment well in the second year to fulfil the previous Term 1 condition that was not possible due to a lack of rig availability.

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

A detailed seismic mapping program was undertaken in the southern and central part of this block, focussing on the mapping of conventional structural plays in Late Cretaceous reservoirs that have been seismically defined. The company believes that this block 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. Drilling shows that the Late Cretaceous reservoirs do not extend across the entire permit but are restricted in a WNW zone about 25km north of the current coastline.

Northwards of the Waarre Formation pinchout, Early Cretaceous Eumeralla Formation occurs at relatively shallow depths in the northern part of the block. Mapping of this region is still in early stages as there is less well control. The Eumeralla Formation extends the tight gas concepts developed by Lakes Oil in the Gippsland Basin and application of these to exploration of the tight gas potential in the Lower Cretaceous Otway Group.



Exploration Activities

EROMANGA BASIN, QUEENSLAND

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

Lakes Oil is in negotiations with the intention of relinquishing its interest in this block as there was no activity undertaken on this permit

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

Lakes Oil is in negotiations with the intention of relinquishing its interest in this block as there was no activity undertaken on this permit

PEDIRKA BASIN – NORTHERN TERRITORY

(Lakes Oil Group: 100% interest, Operator)

EP 142 - Onshore, Northern Territory

(Lakes Oil Group, Operator: 100% interest)

A review of all geological and geophysical data in the permit and surrounding areas was completed during this period with the objective of assessing the hydrocarbon potential and mapping of possible leads from the existing seismic and well coverage. This work completes the Year 1 commitment. EP 142 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.

NEW ZEALAND – NORTH ISLAND

(Lakes Oil Group: 100% interest, Operation)

PEP 38350

Preparation and planning for a combined 50km offshore 2D seismic reflection and 25km onshore refraction survey continued with planned acquisition of data in February 2009 over the area and offshore in Palliser Bay. The objective of the survey is better mapping of the structures inferred from previous gravity and aeromagnetic surveys.

ONSHORE USA–San Joaquin Basin California

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

No further activity has occurred in the quarter.

Signed on behalf of Lakes Oil N.L.

**Ingrid Campbell
Chief Geologist
Dated 31 December 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 2008

Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (6 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	(475)	(1,052)
(b) development	-	-
(c) production	-	-
(d) administration	(1,090)	(1,639)
(e) capital raising costs	(25)	(25)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	108	126
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 (a) Net movement in GST suspense account	(63)	(76)
Net operating cash flows	(1,545)	(2,666)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(125)	(125)
(c) other fixed assets	(81)	(147)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	4,969
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Debtors	(18)	(26)
Net investing cash flows	(224)	4,671
1.13 Total operating & investing cash flows (carried forward)	(1,769)	2,005

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

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.13 Total operating & investing cash flows (brought forward)	(1,769)	2,005
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	-	-
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	-	-
Net increase (decrease) in cash held	(1,769)	2,005
1.20 Cash at beginning of quarter/year to date	7,468	3,694
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	5,699	5,699

**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	236
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: \$211,249	

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

Estimated cash outflows for next quarter

	\$ A'000
4.1 Exploration and evaluation	1,000
4.2 Development	-
Total	1,000

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)	5,699	7,468
5.2 Deposits at call	130	130
5.3 Bank overdraft	-	-
5.4 Investments in listed companies (market value)	1,365	1,068
Total: cash at end of quarter	7,194	8,666

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	PEP166	Interest Increased	75%	100%

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Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 DECEMBER 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	NIL	NIL	-	-
(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 – 31 DECEMBER 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
	<i>Third parties</i>	11,850,000		1.5 cents	9 January 2013
		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

- 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).
- This statement does give a true and fair view of the matters disclosed.

Sign here:

Raymond G. South

 Company Secretary

Date: 9 January 2008

Print name:

Raymond South

Notes

- 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 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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